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Hotel Consortia

Strategies and Structures:

An Analysis of the Emergence of Hotel Consortia as Transorganisational Forms.

Angela Jane Roper

A Thesis submitted to the University of Huddersfield in partial fulfilment of
the requirements for the degree of Doctor of Philosophy

November 1992

School of Applied Sciences

Abstract.

Hotel Consortia Strategies and Structures: An Analysis of the Emergence of Hotel Consortia as Transorganisational Forms.

Doctoral Thesis submitted by Angela Jane Roper,
University of Huddersfield, October, 1992.

Hotel Consortia as important entities in the UK hotel industry have hitherto lacked attention. Prior to this study little or no extensive analysis had been undertaken into the strategy, structure and behaviour of these organisational forms. This study serves to fill and expand this academic void through an analysis of the emergence of hotel consortia within the competitive arena of this industrial context.

A consortium is an organisation of hotels which combine resources in order to establish corporate management services such as marketing and promotional activities, purchasing and personnel and training. This working definition was developed and employed to classify a fieldwork sample.

The research addresses the competitive forces which act within the UK hotel industry, through the application of techniques for analyzing industries (Porter, 1980). The analysis showed the market to be fragmented in structure and identified important competitive and performance consequences for participating firms, including the focus of this study.

The concepts of generic strategy and organisation structure and process, provided the framework for identification and isolation of distinctive organisational characteristics relating to each consortium in order to construct strategic groupings.

The subsequent classification of multiple strategic groups indicated the forces of competitive rivalry in the industry and the pertinent linkages between strategy and structure are identifiable within groupings. Particular conflict areas were identified within these strategy/linkages and specifically, the problems of sustaining cohesive strategy with minimal controls; a dichotomy unique to the 'transorganisational' nature of consortia.

The research used a qualitative case approach to address in more detail the transorganisational structure and process characteristics of a smaller set of consortia in order to assess the underlying relationships with the respective strategy issues.

A major contribution of the thesis lies in the identification of hotel consortia as rather unique organisations defying to some extent the standard application of strategic group analyses. The research classifies consortia more as emerging forms of multiorganisational networks which strive to optimise strategies. The final model from this analysis however suggests that consortia by nature can only partially, if at all, optimise the structure and process characteristics necessary for sustaining collective effective strategies.

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Both my ex-colleagues (and dear friends) at the University of Huddersfield and my present colleagues at Oxford Polytechnic must be commended for their support and reassurance.

Special thanks to all of my family and friends who have understood and tolerated my unsociable behaviour. An additional thank you to John for the use of his computer and for his patience, support and caring.

Lastly, may I extend my thanks to staff within all of the 29 hotel consortia surveyed who have provided me with invaluable data and information. I would also like to acknowledge the help of those specific executives in British Airways Associate Hotels, Best Western Hotels, Prestige Hotels and Trusthouse Forte Hotels who enabled me to achieve a more in depth knowledge and understanding of their organisations.

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In Memory of my Grandmother

CHAPTER 1. INTRODUCTION.

1.1 Background to and Need for Study.

In the early 1970's the Committee of Inquiry on Small Firms was directed to investigate the hotel and catering industry. In attempting to evaluate the structure of this industry the delegation encountered an early problem. They identified an absence of comprehensive statistical data, the unreliability of some of the statistics that were available and the 'definitional problems' in reconciling different estimates of the population of the industry.

Although the work of Pickering et al (1971) partially served to reconcile this shortage of information concerning supply within the hotel and catering industry, their emphasis mainly rested upon an evaluation of the small firm within the sector. Slattery et al (1984) recognised that in the decade to 1984, significant changes in the structure and concentration of the hotel industry had taken place. This signalled the start of a **systematic analysis of hotel groups** operating in the British market in order to redress the lack of research hitherto undertaken.

The researcher's involvement in this research under the auspices of the Hotel and Catering Research Centre at Huddersfield Polytechnic led to the establishment of the Hotel Groups Database ¹ during 1985/86 which served to institute an interest in the identification and evaluation of hotel groups in the UK.

¹ This institution underwent a name change in 1992, it is now the University of Huddersfield.

A major outcome of the early part of the research was the publication of the **'Hotel Groups Directory'** (Slattery and Roper, 1986), which served to rectify the industry's lack of a statistical resource base and subsequent annual editions of this title followed.

This initial compilation of industry structure data was a pre-requisite to the more specific study of **inter and transorganisational developments within the hotel industry** and in particular, **hotel consortia**. In 1971 Pickering et al (1971) identified three hotel consortia operating in Great Britain, representing 158 hotels; by 1982 work carried out by the Hotel and Catering Research Centre (1983) had resulted in the identification of 24 consortia, embodying 969 hotels.

From an exploration of research carried out into hotel consortia it was found that on both a national and international level, little or no extensive analysis had been undertaken into these organisational forms. In this country Litteljohn (1982) had only begun to assess the role of consortia in the hotel industry and put forward the following definition of an hotel consortium:-

'an organisation of hotels, usually, but not necessarily owned autonomously, which combine resources in order to establish joint purchasing/trading arrangements and operate marketing services. These aims will often be achieved through the setting up of a centralised office, whose activities will be financed through a levy/subscription on the member hotel units.' (Litteljohn, 1982 p 79)

Rather than being statutorily owned and focused upon promoting tourism as a whole (in the case of tourist boards), hotel consortia were perceived as being similar to hotel companies both in the functions they carried out and in the corporate identity they maintained for hotel members. However, unlike hotel companies they do not own or operate hotels.

Further investigation revealed that some research work had been carried out into hotel consortia, but this had only been done in conjunction with studies related to other types of organisations. Housden (1978) although addressing various organisational forms appeared to have directed her research towards franchising. Whilst Schaffer's (1984) research merely cited one consortium - Best Western Hotels - as an example of an hotel group. However, his research centred upon American hotel operating companies rather than any detailed investigation of hotel consortia.

Additionally, the **strategic** significance of hotel consortia within an industrial context had not previously been investigated while the subject of consortia as transorganisational forms within the hotel industry remained ripe for investigation. Indeed, at this time few investigations seem to have taken place in relation to the strategic, structural and process characteristics of hotel group organisations per se. Although Clark (1987) was in the process of examining the structural contrasts between mainly hotel companies.

Thus, the overall purpose of this study was an attempt to fill and expand these perceived academic voids. Firstly, there was a need to develop an ordered picture of the UK hotel industry structure and to assess the **competitive forces** inherent therein extending the historical enquiry undertaken by Pickering et al (1971). Secondly, the requirement to establish the **strategic and structural characteristics of hotel consortia**, as emerging networks.

In this way the potential contribution to the existing body of knowledge could be regarded as both significant and urgent, given the hitherto lack of attention to what is an important entity in the UK economy.

1.2 Research Objectives.

The central objective of the research was to analyze the emergence of hotel consortia within the hotel industry and to categorise these within the context of **strategic groups and networks**. As a logical process of development, the related tasks and sub-objectives were set as follows:-

(i) To review and evaluate the **theoretical and empirical work** related to the following fields of study:-

- **Strategy and Structure of Organisations,**
- **Industry Structure, and**
- **Strategic groups.**

(ii) To identify the competitive arena in which hotel consortia exist through an evaluation of the **competitive forces distinguishing the UK hotel industry.**

(iii) To formulate a **working definition of hotel consortia**, accepting deficiencies in the definitional work of previous writers, in order to establish a fieldwork sample.

(iv) To identify and isolate the different **strategic and structural issues between each consortium** in order to **construct, using a qualitative methodology, strategic groupings** of hotel consortia.

(v) To analyze the **transorganisational nature of hotel consortia in terms of their strategic, structural and procedural characteristics**, and the linkages between these aspects.

An essential part of this process was the establishment of the '**Hotel Groups Database**' (Roper and Slattery). This development enabled the establishment of an extensive identification system, a comprehensive range of industry participants and an analysis of the industry based upon up-to-date, exhaustive data. Additionally, this process enabled the researcher to establish early and direct contact with the organisations forming the fieldwork sample of this study.

1.3 Research Framework and Methodology.

Overall Conceptual Framework.

The overall framework for analysis is considered from a holistic view of the UK Hotel Industry, its various participants and the structures and behaviour therein. The notions of **competitive forces** and **strategic formation** and their relationships with **transorganisational** developments can loosely be modelled in order both to reflect and direct a logical and consistent analysis (see Figure 1.1). The central framework of the research is modelled from the assumptions (i) and (ii) below and from which arises a main a-priori assumption (iii). The resultant framework reflects the nature of the inter-relationships between the industry, the consortia as identified and the various organisations making up the latter. The basic assumptions are as follows:-

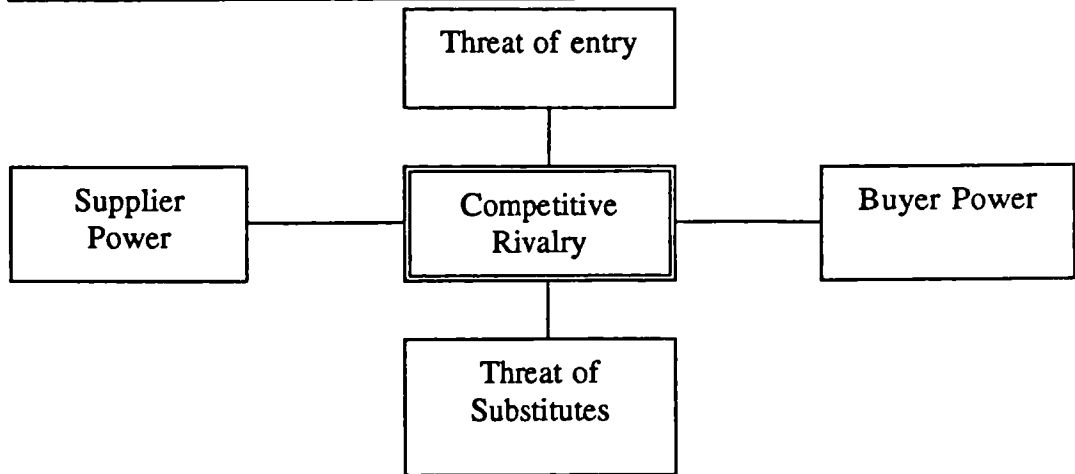
(i) There is a strong link between industry structure and the resultant conduct and performance of the participating firms. The structure of an industry is relative in that competitive forces affect all firms and the key to understanding the structure is to be found in the differing abilities of firms to deal with these;

(ii) The potential of firms to deal with these forces may be identified via the strategies they enact, the structure in which strategies are administered and the resultant state of performance specific to that firm.

However, an intermediate frame of reference is required between the structure of an industry and the individual firms therein, thus a third doctrine is required;

(iii) As a device the notion of strategic groups allows the segmentation of a sector of an industry into homogeneous sets of firms whose competitors' actions and results are similar. Strategic groups represent a finer grouping than an industry or market, but a broader grouping than an individual firm.

Figure 1.1 Overall Conceptual Framework.



Industry Structure.

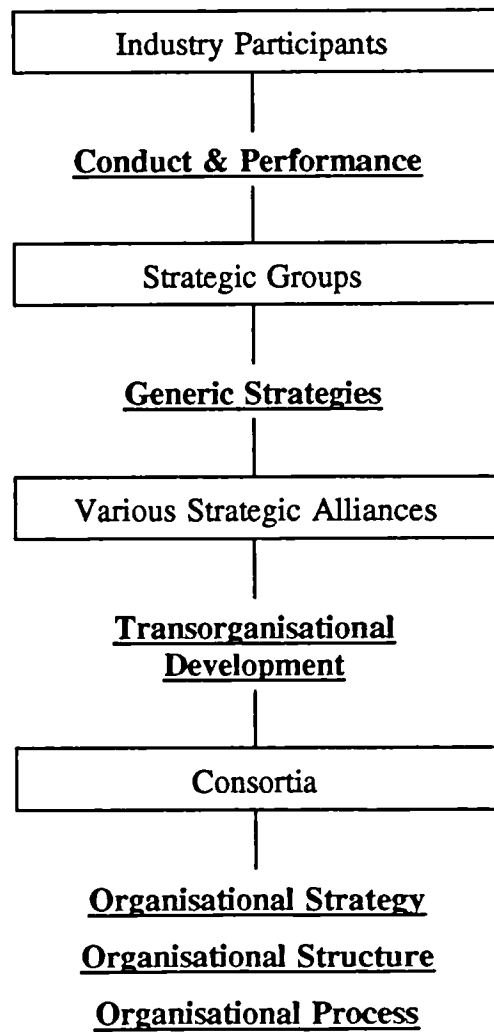


Figure 1.2 below shows the modelled relational link arising from the above main a-priori assumptions and the causal links therein.

Figure 1.2. Summary of the Conceptual Framework and its Inter-relationships.

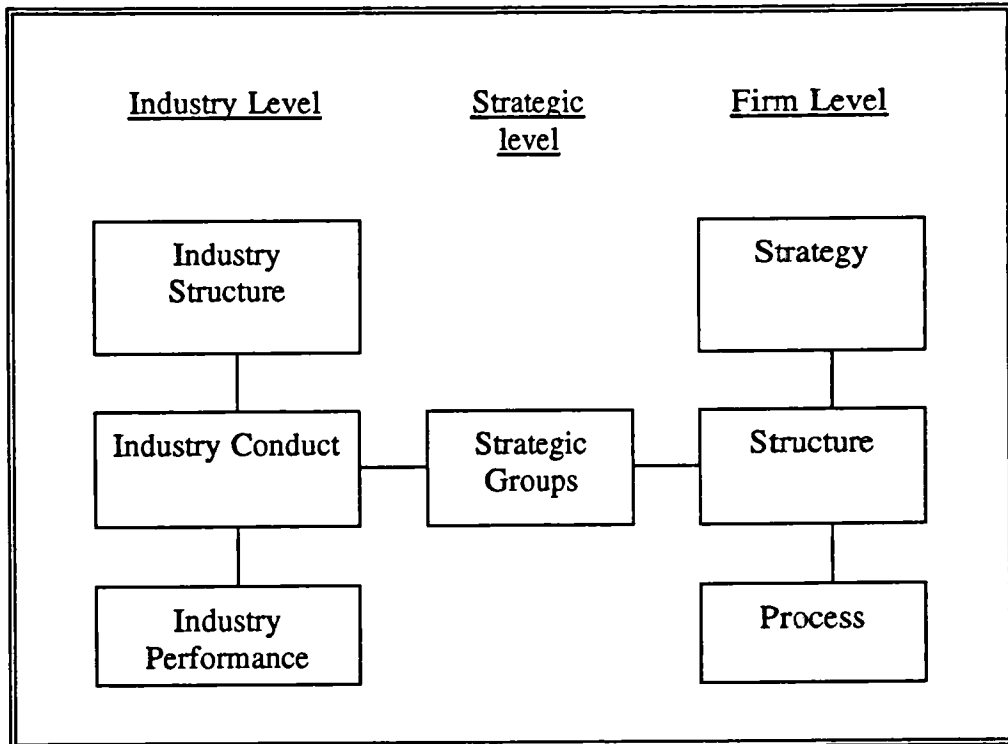
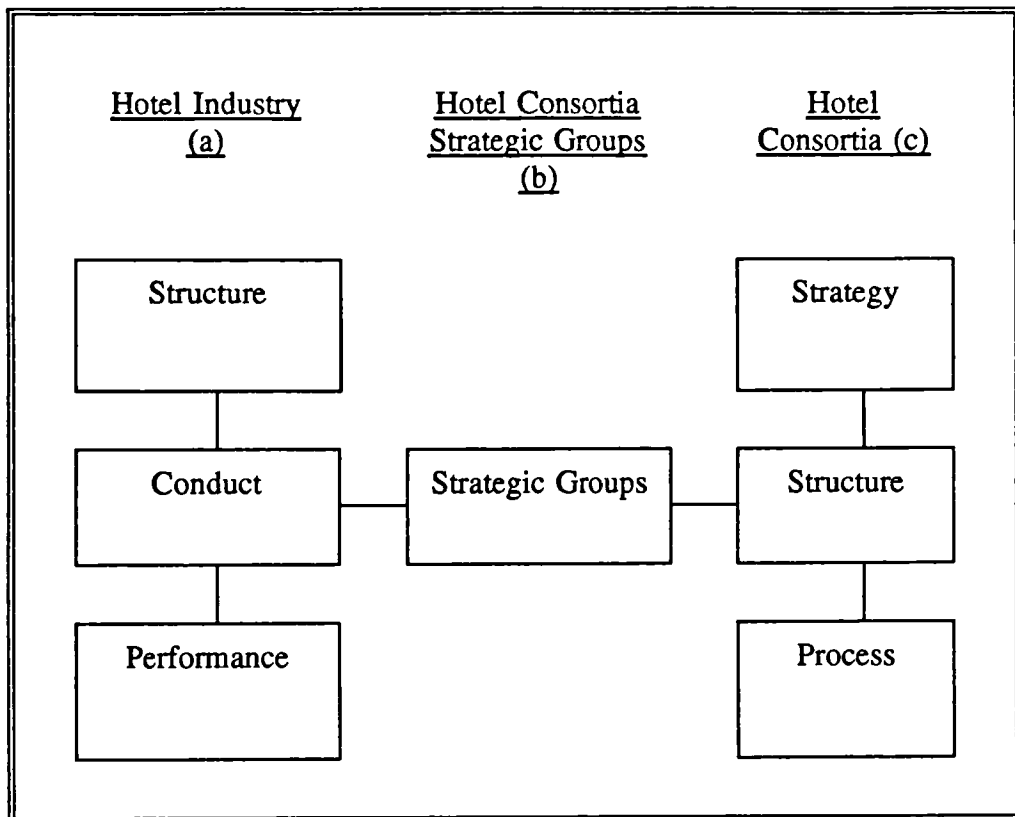


Figure 1.3 qualifies the application of the above defined conceptual framework within this study:-

Figure 1.3 Summary of Application Issues.



Levels of Analysis.

(a) Industry Level.

Concepts of industry structure were considered appropriate at this level of analysis. Authors such as Porter (1985) have suggested that understanding industry structure must be the starting point for strategic analysis as it has a strong influence in determining the competitive rules of the game as well as strategies available to the firm or strategic group.

Although a basic assumption has been that consortia operate largely within the bounds of the hotel industry, the definition and dimension of this industrial context is far from clear. Consequently, the concept of **substitution** (Creedy et al, 1984) was employed in order to define and clarify the competitive

surroundings of consortia.

Porter's (1980) structural analysis of industries was in turn used to identify and evaluate the key forces which were perceived to drive competition in the industry.

(b) Strategic Group Level.

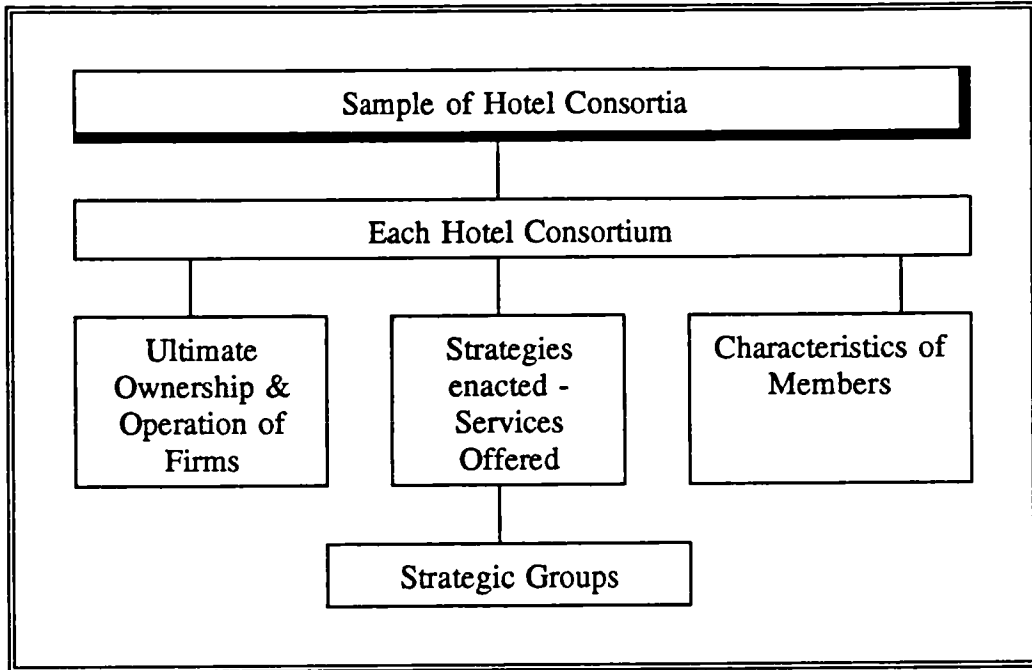
Hotel Consortia were initially judged to be heterogeneous organisations although on closer inspection it was found that certain commonalities were present which lead to the use of the concept of **strategic groups** (Harrigan, 1985). As suggested by writers such as Fiegenbaum, Sudharshan and Thomas (1987) the dimensions employed to identify groupings were based upon the underlying economic and market structure of consortia. The strategic group analysis was based upon 'three tiers' employing the hierarchical levels of organisational strategy - these being the corporate, business and functional levels (Hofer and Schendel, 1978).

The operationalisation of these dimensions involved the strategic and structural measurements relating to identification of the product-market scope of each organisation and the formal administrative structure used to administer the enterprise (Channon, 1973). The following parameters were thus used to clarify and develop these strategic groupings:-

- a) **Ultimate ownership and operation of the firms.** (it was postulated that their holding-companies would have an overall effect on the orientation and strategic accountability of the consortium.)
- b) **At the business-level, the strategies which the consortium enacts, exemplified by services offered to member hotels.** (These, it was postulated, were likely to be on a continuum from narrow to wide ranging and were likely to be orientated to business generation or business efficiency.)
- c) **Operationally, the characteristics of member hotels** (and how these determine the strategic significance of the particular hotel consortium.)

Figure 1.4 illustrates these analytical levels diagrammatically.

Figure 1.4. Levels of Analysis.



The interpretation of these strategic groups provided evidence to show that they were the outcome of overall industry/market rivalry and that mobility barriers were present amongst the groupings, characterised as group specific entry barriers (McGee and Thomas, 1986). Within this context, certain groups were judged to possess superior ability to deal more effectively with such competitive forces and which would likely to expand the group further in the future. This latter point largely directed the analysis towards the third level of enquiry, as stated below.

(c) Firm Level.

The preparatory stages of the research identified a set of consortia criteria which required further, in depth analysis. Thus the research framework and analysis was extended to encompass an investigation at firm level. It was assumed that the strategic orientation of these particular consortia would likely alter due to imminent changing competitive conditions with the resultant effect of altering the composition of the organisations' immediate competitors.

On this basis a further assumption was developed in order to account for the redefinition of this set of consortia and the identification of particular industry participants; ie., those were more likely to directly compete with these consortia. This was driven by later developments identified in the industry relating to the transition to franchising and the availability of more loosely affiliated group memberships.

(d) Structure and Process.

The influence of the strategies and structural (industry) facets upon organisation structure and processes performance, and vice a versa, will be developed to incorporate a definition of performance relevant to the organisations in question.

1.4. Scope and Limitations.

The scope of this study was primarily aimed at the **hotel consortium** as a characteristic of interorganisational development. The extent of this research was determined by the following points:-

1. Little strategic enquiry had centred upon the larger organisations that comprised the hotel industry. Pickering et al (1971) and later researchers focused upon the small firm in the industry.
2. As discussed previously, hotel consortia as transorganisational systems had not been significantly researched, and as an emerging part of the market structure it was judged timely to assess their strategic significance. This necessitated a study of the entire organisational features of these firms, rather than the individual assessment of hotel members.
3. The researcher's interest lay in the theoretical fields of industry and firm strategy and structure, whereas to assess individual hoteliers would have advocated a more psychological and sociological evaluation.

The study in recognising hotel member executives as often the dominant coalition in hotel consortia does assess descriptively the characteristics of member hotel units, but from a strategic perspective.

Similarly, it was acknowledged that other organisational forms could be assessed in order to comparatively study hotel consortia. Franchising, for example, as a type of multi-organisation system, was considered to a degree in this study, but only in order to assist in a definitional analysis of hotel consortia. Thus, as previous authors have examined consortia in conjunction with studies related to other organisational forms, this thesis reverses this regime in evaluating other types of business arrangement as a means of appraising the primary organisational focus - hotel consortia. Although the works of authors such as Von Clemm (1971) and Bee (1984) recognised

consortium arrangements in other industry sectors (notably Banking) these merely assisted in the early identification of the population of hotel consortia.

Therefore, it was not the intention of this study to comparatively analyze other business forms.

The main limitation of this study rests with the difficulty in considering the link between strategy and structure and performance when applied to hotel consortia. Although strategic and structural theories could be operationalised in order to group consortia, evidence of organisational performance amongst the field sample proved impossible to either establish and/or substantiate.

Many of the organisations were found to be non-profit-making and therefore, any retained revenue was expended through an increase in member's services. In other cases any indicators of profitability were diluted by the lack of a separate profit centre within a larger division or subsidiary. This situation was further compounded by the confidentiality with which the consortia sample held the information related to the revenue generated from annual member subscriptions. Not only did these levels vary internally within the same consortium but also different contractual arrangements often resulted in different payment levels and processes.

Most importantly, the lack of performance indicators as a measure of effectiveness was difficult due to the complexities of multiple organisation membership.

1.5 Data Validity.

Given the problems of definition both of the 'hotel' and 'consortia' levels, representative sampling and validity of responses must come into question. While every attempt was made to reduce uncertainty, bias and leading questions in the field interviews, final proof of validity of respondent replies and associated observations cannot be absolutely guaranteed. Thus, any universal generalisations of hotel consortia behaviour arising from this study have to be taken in the context of these reservations.

CHAPTER 2. REVIEW OF THEORY.

This section reviews the theoretical and empirical work related to those fields of study which are considered necessary for this thesis and these are:-

- Strategy and Structure of Organisations,
- Industry Structure, and
- Strategic Groups.

As will become evident, these fields of study are inter-related, and in particular the first three areas are shown to be inter-linked, causally. These aspects reflect an area which is relatively recent in theoretical development, and thus particular emphasis is placed on the critical review. Within these broad headings certain related theories are reviewed and developed, particularly in the organisational context, such as generic strategies and inter-organisational structures.

2.1 Strategy and Structure.

Strategy and structure theories identified in the literature reviewed can be seen to be used as a way of assessing business organisations within an industry context. In this respect, two overall points may be put forward. Firstly, this area of organisation analysis is comparatively recent, having developed from several other theoretical perspectives such as micro-economics. Secondly, the growing interest in the problem of strategy owes its origins largely to the business, rather than the academic, community.

Review of Strategy and Structure Theories.

Early pioneers of strategy and structure theories developed their work following recognition of the failings of the then existing theories concerning the behaviour of business organisations and their limited use by the actual management of such firms. Two writers are particularly prolific in identifying the need for strategic and structural analyses of business organisations, namely A.D Chandler (1962) and H.I Ansoff (1968b). The research attributed to these authors is an appropriate background on which to develop the deeper critical review.

Chandler (1962), in assessing the evolution of the large enterprise in the US, stated that a new organisational analysis was necessary. He particularly wanted to study the changing form and function of the large industrial enterprise and therefore set out by asking the question " How have organisations expanded and become more complex?". He expressed the belief that an examination of the way different enterprises carried out the same activity (marketing, manufacture, finance and so on) would have as much value as a study of how a single firm carried out all of these activities. His analysis set out to provide a fore-runner to theories that would permit deeper probes into the nature of the function studied and so provide more accurate

interpretations and more meaningful evaluations of the performance of several different enterprises in that activity. Chandler's work put forward definitions of strategy and structure and the links between the concepts and applied these to the growth of large industrial enterprises in the US in the 1930's.

Ansoff (1968a) likewise recognised the growing complexity of organisations. He found that since the 1950's organisations had been confronted with a growing variability and unpredictability in the business environment. Business managers had thus become increasingly concerned with attempting to find rational and foresighted ways of adjusting to and exploiting environmental change and consequently they then required increased understanding of the relationship between the firm and its environment. This is now referred to as the "strategic (or strategy) problem" of the firm, although this does not assume that previous theories had been unrelated to the firm and its competitive environment.

For example, micro-economic theory of the firm postulates a relationship between 'input factors' such as labour and capital, and physical output through the medium of 'production'. It also postulates that managers manipulate input factors for profitability gains. Cyert and March (1963) state that this approach has been subjected to escalating criticism on two-fold grounds; firstly, that it fails to explain conduct of real firms, and, secondly that it is not practical to managers in their decision-making activities.

In support, Ansoff (1981) states that profit maximisation is not the only goal of the organisation and that micro-economics theory in this analysis has contributed little to understanding how structural variables should be managed nor to an understanding of strategic variables which enumerates the assortment of products and markets served by the firm. This point is summarised by the author further when he states that micro-economic theory studies the manager as an operator of a fixed arm, whereas in reality, he spends much time and energy in designing the firm; its outputs, its inputs, and its organisation.

Most importantly, this is where Ansoff and Chandler appear to agree, both stating in their own terms that micro-economic theory provides for no differentiation of behaviour among firms. There are in reality, according to these two theorists, wide differences of behaviour among firms in the same environment. Chandler for instance puts forward a theoretical mechanism which he believes allows for the comparability of organisations, thus providing inter-related and interpretative studies of business organisations, rather than relying upon the use of single, isolated organisational case histories.

Definitions of Strategy and Structure.

Further, Chandler (1962) identified the evolution of a new organisational form amongst Northern American industrial organisations; that of a multi-product, multi-market firm managed by a multi-divisional organisational structure which was under pressure for profit performance along with the achievement of other organisational objectives. This necessitated a new theoretical framework and the author thus formulated his theories on the strategy and structure of organisations. This led to the definition:-

Strategy is defined as: 'The determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.'
(Chandler, 1962)

While structure was defined as the design of organisation through which the firm is administered. In other words, decisions to expand the volume of activities, set up geographical offices and so on, involve the definition of new basic goals. New courses of action must be devised and resources allocated and reallocated in order to achieve these goals and to maintain and expand the firm's activities in new areas in response to environmental and competitive aspects. As the adoption of new strategy may add different types of personnel and facilities and may alter the business horizons of those personnel

responsible for the firm this could have a profound effect on the form of its organisation, ie., its structure.

This scenario explains where the two concepts are explicitly inter-linked. Chandler's thesis deduced from these several propositions that 'structure follows strategy' and thus one can ascertain that the most complex type of structure is the result of the concatenation of several basic strategies.

In summary, three main principles can be identified in Chandler's thesis:-

- (a) Organisation structure follows from the growth strategy pursued by the firm.
- (b) US firms have followed a pattern of stage wise development from uni-functional structure, to the functional organisation, to the multi-divisional structure.
- (c) Change from one stage to another occurred only after provocation, because the strategy formulator and the organisational innovator were different types of people.

The latter appears to point to the fact that Chandler found a significant delay between the formulation of strategy and implementation of structure and that the latter occurred only after severe pressure. His work is important as it identified the emergence of a new enterprise form developing in the US, that of a multi-divisional organisation. Also his research recognised a **relational linkage** within an organisation, and led managers of such an enterprise to recognise that the structure of the organisation should be linked to the product-market strategy pursued by the firm.

The Comparison of Strategy and Structure Theories.

Additional writers have since expanded the strategic and structural analysis of organisations, although the influence of Chandler's earlier work has continued to underpin this progression in the study of business firms.

Hofer and Schendel (1978) have argued that Chandler did not differentiate between the processes used to formulate strategy and the concept itself. Their main point was that Chandler's aspect of analysis was not sufficient as his main interest was in studying the relationship between the way that firms grew (their strategies) and the pattern of the organisation (their structure) which was devised to manage such growth, rather than to study how organisations actually formulated such growth. The first two authors to focus explicitly and exclusively upon the concept and processes by which the organisation should develop were Andrews (1965) and, as discussed previously, Igor Ansoff (1968a). Andrews combined Drucker's (1955) and Chandler's (1962) theories to produce the following definition of strategy:-

'Strategy...is the pattern of objectives, purposes achieving their goals...stated in such away as to define what business the company is in or is to be in and the kind of company it is or is to be.' (Andrews, in Hofer and Schendel (1978) p 16)

Ansoff and Hofer and Schendel(1978), on the other hand, viewed strategy as:-

'the 'common thread' among an organisation's activities and products/markets that defined the essential nature of the business that the organisation was in and planned to be in the future.' (p 17)

Since then, numerous authors have written on the subject, including Channon (1973, 1978), sometimes applying such theories specifically to service industry firms, while Child (1972) developed the analysis to incorporate 'strategic choice'. Rather than expand further here the works of any of these authors, it may be concluded that the breadth of the concept of strategy is an issue on which there is not full agreement. Some perceive strategy as the 'ends', that is the objectives, goals, major policies and/or mission for the whole organisation; others think of it as the 'means' - the design approach method and/or way that an organisation pursues its objectives/goals/policies/missions. Similarly, debate centres around the inclusion of the strategy formulation process in an expanded definition of strategy.

Hofer and Schendel (1978) present a wider definition of strategy as a concept which better enables the analysis of organisations and their growth. Strategy is therefore identified as :-

'the fundamental pattern of present and planned resource deployments and environmental interactions that indicates how the organisation will achieve its objectives.' (p 25)

The concept of strategy is thus, in Hofer and Schendel's opinion, one of top management's major tools for coping with both external and internal changes. Two observations may be made about this concept:-

1. The accomplishment of objectives requires some form of action by the organisation, that is it must expend or deploy some resources. This therefore refers to dynamic action by the firm.
2. To accomplish any objectives an organisation will have to interact with an external environment.

This concept therefore refers to the **dynamic** nature of strategy, not only in terms of an organisation's implementation of a certain strategy but also in terms of the need for an organisation to recognise the external environment in which it operates.

This includes, for example, the likely reaction by customer and competitor groups to such a strategic manoeuvre.

Since Chandler's original work it is clear that the concept of strategy has progressed, and although he may have recognised the above factors in his analysis of the growth of the large enterprise in the US, these were not clearly present in his definition of strategy.

Hofer and Schendel (1978) explain further elements in the workings of business organisations. Firstly, that all organisations in fact have a strategy and this is described as:-

'a match between an organisation's resources and its environment may not be a good match, the characteristics of that match can be described for all organisations.' (p 4)

Secondly, the authors' concept of strategy relates to a plan to deploy resources effectively and efficiently given that the organisation will face opportunities and risks created by environmental change. This can be further explained in that there is judged to be both appropriate and inappropriate 'matching' of opportunities and resources which impacts on the formulation of strategy and its actual implementation. It is in this last point that Hofer and Schendel identify the link between strategy and the structure of an organisation, the implementation of strategy relying upon the structure of the organisation. Thus they stress the **uni-directional** link between these concepts.

Channon (1973) in his study of British enterprises posed pertinent questions, such as:-

- (a) Have (British) enterprises evolved in a similar manner to their US counterparts ? and
- (b) What strategies have been adopted and what structural responses have these brought?

His research included a comparison with Chandler's work, which developed the theory of strategy and structure further. Channon suggested that it was appropriate to identify and analyze organisations from the outside, just as Chandler concluded that his own study was preferable to an in depth case-study approach. Channon in this first work and in his later analysis of firms within the service sector (Channon, 1978), identified industry changes as a whole and the different responses/changes of organisations to similar risks and opportunities. He also studied organisations over time, adding a dynamic perspective to the analysis. From this work it can be deduced that the strategies and structures of organisations are reflective of the past and predictors of the future.

It is pertinent to explore these issues further, particularly in order to assess the operationalisation of the concepts under review. Channon (1973) measured strategy from the viewpoint of the outside observer in product-market terms and attempted to define what the company was and what it had become. In contrast to Hofer and Schendel's (1978) later analysis he did not define the patterns of objectives, values, purposes and major policies, but assumed they were derived internally (a closer analysis, in depth, into each company was not in his remit).

His research tended to focus on those elements that were readily observable, such as the product and market scope of firms. Structure was taken by Channon to be that of the 'formal administrative structure of hierarchical relationships used to administer the enterprise'. The organisation chart was the main means of study, and while he recognised the important informal system of inter-personal relationships which underlie this formal system, he concluded that the operationalisation of this from an external viewpoint was problematic. In conclusion, his conceptual framework was developed to formally observe changes over time in the strategy and structure of his sample companies (over 100 companies).

The Extension of the Strategy-Structure Analysis.

Chandler (1962) advocated the following two points as relevant to the link between strategy and structure within organisations:-

- (a) structure follows strategy, and
- (b) the most complex type of structure is the result of the concatenation of several strategies.

It is relevant here to expand this further to incorporate a link which is recognisable in Chandler and the works of other analysts. In short, the former, stressed that as an organisation implements a new growth strategy (discussed below) this subsequently poses new administrative problems.

These problems are solved only by refashioning the structure to "fit" this new growth strategy. Chandler contended therefore, that if structural adjustment does not take place the strategy will be completely ineffective and economic inefficiency will result. The resultant state of financial performance may be specific to the organisation based upon a match or 'fit' between these two proceeding factors. There are thus two further important points concerning strategic management in this analysis. Firstly, that 'fit' is considered fundamental to strategic management and secondly, that the strategy-structure paradigm is extended to incorporate the financial implications of collaboration between the strategy formulator and organisational innovator.

The concept of 'fit' has been utilised in several theoretical fields. Venkatraman and Camillus (1984) site the Population Ecology model and Contingency Theory where it has served as the central thrust to the development of middle range theories in many management disciplines. One further reason for the relevance of the 'fit' concept here is that the field of business policy - the initial strategy paradigm as advocated by Hofer and Schendel (1978) - is rooted in the concept of 'matching' or 'aligning'

organisational resources with environmental opportunities and threats.

Business performance in its widest sense is viewed as an important aspect in various strategic management literature. Cameron and Whetton (1983) suggest that its importance can be argued along three dimensions, namely, theoretical, empirical and managerial. Theoretically, the concept of business performance is also at the centre of strategic analysis. Most theories either implicitly or explicitly underscore performance implications.

Hofer and Schendel (1978) emphasise that such a linkage results in performance becoming the time test of any strategy. Cameron and Whetton (1983) point out that empirically, most strategic research studies employ the construct of 'behaviour performance' to examine a variety of strategy content and process.

The managerial importance of business performance is perhaps most evident when the organisation is a profit-making unit. Nash (1983) believes that the many prescriptions offered for performance improvement in strategic management and other managerial-related literature, further emphasises this point. Usefulness of this linkage to practitioners is reiterated by Hambrick (1980), particularly when the question is asked 'How do different strategies relate to organisational performance?'.

Hofer and Schendel (1978) emphasise the following strategic actions which relate to the competitive position of a firm and the stage of market evolution of the external competitive environment (discussed further in the review of literature related to industry structure):-

1. Share-Increasing Strategies;
2. Growth Strategies;
3. Profit Strategies; and
4. Market Concentration Strategies.

In a rapidly expanding market, growth strategies will need to be enacted by the firm in order to maintain its market position. Internal growth (within the organisation, increasing sales through additional marketing, for example) or external growth (merger or acquisition) may thus be the result of a requirement for such action and may be termed methods of growth.

Ansoff (1968a) adds to the wealth of knowledge here, and suggests the use of a matrix which may be used as a framework for analyzing the directions of growth a firm may take, largely dependent upon growth encompassing existing or completely new markets.

Channon (1973) too develops the theory of growth strategies in his analysis of firms in service industries. He also identified the link between the stage of industry development and its impact upon the strategies, structures and hence performance, of firms. He found that leisure firms had expanded mainly by enacting external growth strategies such as acquisition, taking on new activities in new sectors.

A further extension of the strategy concept encompasses the idea of **three main hierarchical levels of organisational strategy** - where the relative importance and characteristics of the components of strategy will differ. Hofer and Schendel (1978) are particularly prolific writers in this area of study, citing these three levels as, corporate, business and functional strategy.

In contrast, Chandler (1962), in originating the strategy-structure paradigm, used a concept of strategy aligned more closely with a **corporate level view**. Additionally, Wrigley (1970) and Rumelt (1974) led the way in developing useful operationalisations of corporate-level strategy. These authors were concerned with the establishment of a concept of diversification, and they cited scope and resource deployments among businesses as the primary components of corporate strategy.

Enquiry at this level should answer the question, 'What business should we be in ?' - thus, the operating divisions, groups of divisions and the separate legal business entities which form an organisation are the main focus of attention at this strategic level.

Business-level strategies focus upon addressing the issue of 'How do we compete in this business ?' - either in an industry context or within a product/market segment of this. Distinctive competencies and competitive advantage are usually considered to be the most important components of strategy at this level (Hofer and Schendel, 1978). The lowest part of the hierarchy is that of the **functional** area of strategy where the principal focus is upon the maximisation of resource productivity within the divisions of the organisation.

While each of the different levels of strategy is distinct, they should nonetheless all 'fit' together to form a coherent and consistent whole, if the organisation is to be successful over time. This requires that each level of the organisation be constrained by each other and in this, it requires the functional-level strategy to be constrained by the business-level and it, in turn, constrained by corporate strategy.

2.2. Industry Structure.

As the previous section concluded, a key aspect of a firm's environment is the industry or industries in which it operates. There is a strong link, as suggested in the literature reviewed thus far, between industry structure and the resultant conduct and performance of firms operating within this structure. This section critically evaluates a selection of literature pertaining to industry structure and its relationship with the operation of firms. It also explores the concept of market structure including the competitive environment of organisations.

The Concept of Industry/Market Structure.

There have been a number of studies relating the content of strategies to environments and relating the process of strategy formulation to structure and environment. These will be assessed in due course, but before elaborating on this link, the concepts of industry and market structure require a critical review.

Devine et al (1985) explain that industry, as conventionally understood:-

‘has always been a meaningful institutional unit to employers (in trade and employers associations) to employees (trade unions and collective bargaining machinery) and to the government (in legislation and the publications of official statistics).’ (p 12)

In definitional terms, industries may loosely be defined as groups of firms which share a common technology or which serve similar markets. In the literature related to this area, the focus of the analysis of industry structure generally refers to identifying characteristics of an industry rooted in its economics and technology that shape the arena in which competitive strategy must be set. Porter (1980) stresses that understanding industry structure must be the starting point for strategic analysis as it has a strong influence in determining the competitive rules of the game as well as the strategies available to the firm.

Devine et al (1985) in the context of their definition of industry structure state that:-

‘an individual business must be conceived as operating within an ‘industry’ which consists of all businesses which operate processes of a sufficiently similar kind...and possessing significantly similar backgrounds of experience and knowledge so that each of them could produce the particular commodity under consideration and would do so if sufficiently attractive.’ (p 13)

UK government industry statistics (Standard Industrial Classification) use **technological** classifications as the primary determinant of industry boundaries. Industries therefore can initially be classified according to their raw material inputs and/or type of technical production processes. This was particularly relevant in times when the economy was comprised mainly of manufacturing and extraction industries, although such ‘hard’ technology seems rather difficult to apply across all corporations nowadays. A continuation of industry structure is the concept of industrial structure, as intimated in the previous section.

This has been defined throughout the industrial economic literature reviewed, in terms of the relative importance of individual industries or groups of related industries, within an economy.

Once the boundaries of individual industries have been agreed the criteria for measuring their relative importance have to be determined; ‘added value’ or net output expressed in monetary terms is often utilised to assess the importance of a particular set of industries. Additionally, economic theorists have highlighted the problematic nature of defining industry boundaries between firms serving the same markets and sharing similar technological processes. Devine et al (1985), as major proponents of industrial economics, suggest that as firms in reality produce a variety of differing products and services, industry demarcation cannot be drawn in absolute terms. Organisations may thus belong to more than one industry. With such definitional confusion, ‘market structure’ has been put forward by many writers as a more useful concept.

The term 'market' seems to imply a more rigorous definition and as a complementary approach to the definition of an industry, market structure emphasises the fact that firms may switch their supply of products. Therefore, 'if a firm can readily change its product mix so as to make a particular product, then arguably it should be included in the latter's industry' (Shaw & Sutton, 1976). Having stressed the more specific nature of market structure, many authors refer to this and industry structure interchangeably. The two concepts appear to be identical in their problem of delineation, and according to Needham (1978) the 'characteristics of the markets and industry so defined will still generally differ even if the identity of the firms comprising the industry remain the same.' Shepherd (1979) reiterates this point further suggesting that markets have soft edges and almost every specific market definition can be debated.

The concept of the 'market' acceptable to various authors might in the ideal sense be identified as 'a grouping of buyers and sellers exchanging a single product that is distinct from all others'.

The Identification of Market Structure.

Economic theory indicates that for a study of market behaviour it is useful to define a market as embracing those firms producing goods and services which are regarded as close substitutes by buyers and sellers. The substitution criterion is therefore utilised by Needham (1978) and other industrial economists. Shepherd (1976) suggests that usually there is a distinct image in the industry about what the market is. This image, he continues usually reflects experience with all the factors that determine substitutability, especially the degree of overlap among firms producing slightly different products.

Although this may be a good starting point for a definition of the different markets comprising an industrial grouping, it cannot readily be determined since the required information is usually only in the minds of decision-makers. However, the important issue which this points to is the bed-rock of the concept

of substitutability. That is, all firms are likely to be affected to some degree by each others actions and as any particular decision-maker is likely to confine his/her attention to only a certain set of firms whose behaviour is identified as relevant in light of their own organisation.

The task is to discover which firms take each others behaviour into account in deciding upon their own individual policies and to group them together accordingly, because the behaviour of members of such a group will be related (Needham, 1978).

The extent to which decision-makers take into account the action of others can be related to the substitutability existing between products of different firms viewed from the point of view of either buyers or sellers. In this respect, the concept of substitutability is established and firmly rooted.

Creedy et al (1984) believe that substitution between goods is at the heart of the definition of the market. However, some of the reviewed literature relating to this concept of market definition reiterate similar shortcomings of this theory. Devine et al (1985) stress that there are many problems associated with providing an exact definition. The difficulty here is to distinguish between products that although differentiated, belong to the same market and other products being more differentiated, belong to other markets. The distinction is essentially one of degree depending on how 'closely' the goods or services are regarded as substitutes.

While it may be summarized that there is no particular 'correct' definition of the market, judgement is required to select firms which are suitably grouped in the context of the economic question being considered at the time. Although appearing a somewhat arbitrary concept on first inspection, Devine et al (1985) stress that some definitional differences are not necessarily undesirable. The suitability of the industry's boundaries must be related to the use to which the industry data is to be put. Strictly speaking, all firms produce different products

and services because they are all produced at different locations.

To operationalize this element of substitutability, the boundaries of a market may be defined in terms of a gap in the chain of substitutes. Shaw and Sutton (1976) suggest that this may be formalised by comparing the cross elasticities of demand. Cross elasticities of supply are also seen as the other relevant characteristic for defining market boundaries. Without wishing to discuss this latter argument in more depth, elasticity measures also appear to provide no precise answer to this problem. As Needham (1978) observes 'there is no magic value of cross-elasticity measures which divides 'close' substitutes from 'distinct' substitutes' (p 113). The choice of locating such a dividing line is once again a matter of economic opinion. The **shaded edges** of markets will be identified rather than the **sharp edges** per se.

In essence it is necessary to define the product/service, in analyzing substitution from the viewpoint of the user or purchaser. According to Shepherd (1976) one then forms a judgement about the reasonable interchangeability of this product/service on several grounds: such as 'price, quantity and end-users' (p 173), in this analysis of demand elasticities.

Conversely, cross elasticity of supply means that irrespective of the extent to which consumers consider the products of individual firms to be substitutes, firms should be grouped together if the output of one firm is considered a close substitute for the output of another firm (from the producer's point of view). This concept appears to be somewhat vague as the cross elasticity of supply is the response of firms not now in the market to prices in this market, as Shepherd (1979) suggests. The question of accuracy therefore becomes more sensitive on this side of the elasticity equation.

Such concepts are in use, but with the realisation that there are shortcomings. With some reservations and assumptions the theories of elasticity allow distinction between markets to enable loose definitions to be formed.

The Measurement of Market Structure.

Market structure may be said to comprise those characteristics which are important for the determination of business behaviour. Porter (1979) defines these characteristics as making up the 'competitive forces', and adds that competition in a market largely depends on these. The characteristics have been identified by a wide range of industrial economic researchers as well as theorists such as Porter. Examples of such competitive forces are described and evaluated as follows:

(a) **Seller Concentration:** refers to the number and market shares of firms producing goods or services for a particular market. High levels of concentration, as defined by Needham (1978), relate to the market share of the leading, largest firms in a market. This aspect of market structure, in that it takes into account the market share of firms, is seen as a main indicator of potential supplier power.

Anti-trust legislation serves to determine the influence of this characteristic and to identifying the limit of acceptable supply.

Creedy et al (1984) stated that 'markets with a large number of firms display behaviour which is different from that in markets where there are only a few sellers or a single seller' (p 145).

Seller concentration is a central concept in the composition of a market structure and many of the studies addressed have investigated the determinants of inter-industry differences in such concentration. The most common measurement of seller concentration, the concentration ratio fails to take into account the relative size and total number of firms. This is particularly important if the market under investigation appears to have no set of leader firms controlling a large proportion of output. Even if high seller concentration is identified, the remaining number of firms may be large and their size may be insignificant in comparison, or may potentially prove a threat to any of the lead firms in the

future. These conditions will of course influence the behaviour of firms in the market, as acknowledged by authors such as Porter (1979) and Shaw and Sutton (1976).

(b) Buyer Concentration: refers to the number and size distribution of firms purchasing a particular product, service or material and is analogous to seller concentration and although the range of measures of buyer concentration correspond very closely to those for seller concentration, concentration itself may only be loosely defined.

To identify all buyers in a cross-organisational study is generally problematic and assumptions and broad groupings of buyers may have to be assumed.

Shepherd (1976) reiterates this point through the argument that although buyer concentration maybe too 'loose' causally to be precise, as an important element of market structure, it remains useful as a descriptive statistic and it can convey the main shape of an industry reasonably well in one ratio.

(c) Barriers to Entry: reflect a concept which is not considered to be scientifically underpinned in that it is a residual category containing a number of elements. Significantly, the assumptions made concerning the boundary of the market in question can lead to differing perceptions concerning the threat of new entry. This is an important area of study but one requiring flexibility of judgement on the part of the researcher rather than some rigid, scientific approach to analysis.

Needham (1978) has referred to entry barriers thus:-

'the production by a firm new to the industry, of a product that is a perfect substitute, in the minds of buyers, for the product of firms already established in the industry.' (p 159)

New entry does not merely apply to a change in ownership of an existing plant capacity. In the context of entry many writers focus upon two types of strategic interaction - that among the firms already incumbent in a market and that between incumbent firms and potential entrants. Bain (1968), points out that it is usually the competition among firms already established in a market which is emphasised. However, the force of the potential or threatened competition from possible new competitors will place a disproportionate emphasis on competition among firms already established in any market, and therefore new and potential entry should also be addressed.

Justification for the entry barrier concept lies in its implication for the behaviour of established sellers. Entry barriers may be distinguished between markets to which entry is blockaded and markets with only moderate barriers in which firms might be tempted to lower prices to forestall entry. Baumol (1976) points to markets in which entry is free and refers to these as being perfectly contestable.

Shepherd (1976), describes three main dimensions of entry into a particular market; the extent, speed of occurrence and distance or degree of surprise of entry. Significant entry will result only in the case of high recorded values of these attributes. Three main types of entry have also been distinguished by Shaw and Sutton (1976) and these are product differentiation, absolute cost advantage and economies of scale.

Product differentiation is significant as a type of entry barrier, as previously it has been referred to as an element which defined market boundaries. As an entry barrier, like pricing, it is part of the competitive strategy of the firm and one which may hold as a barrier to new entrants due to the preference shown by consumers for the products of existing firms. More progressive work has assessed such differentiation, particularly through the extent of advertising activity in particular markets. If advertising is the leading factor in product differentiation, an increase in this by major firms within a market is said to not only increase market share but also to become a barrier to significant entry.

Extension of the Market Structure Concept.

The role of conduct in the determination of market structure is more central to the market structure analysis than many have indicated (Caves, 1967). This begs the question of the causality of market structure. The behaviour pattern adopted by sellers is heavily dependent on the surrounding market structure, as has been identified thus far.

However, Caves (1967) forwards the notion that this may only be a short run causal aspect, and that conduct patterns can feed back and influence market structure in the long-run. He further clarifies this by reference to current and post market behaviour in postulating that because behaviour took place in the context of yesterday's market structure, it suffices to make an element of structure today dependent not only on past behaviour but also recursively upon the previous states of the various other elements of structure.

Other authors have given some attention to this interdependence between structure and the behaviour of firms. Work on the role of mergers in explaining present levels of concentration is one such area. Similarly, some of the studies identified previously, such as the analysis of advertising as a form of indirect entry barrier, have been extended to assess this interdependence between market structure and conduct. Seller concentration and advertising is one such example.

Porter (1979) is particularly keen to highlight this causal link and he suggests that the goal of competitive strategy for a business unit is to find a position within the market where the company can best defend itself against competitive forces or can influence them in its favour.

Caves (1967) suggests that limited efforts have been made to explore changes in market structure over time. However, Shepherd (1976) and Needham (1978) in particular recognise that market structure is not a static phenomenon. In fact, Shepherd (1976) suggests that structure may best be understood as 'in passage'

rather than in being.

Similarly, Needham (1978) points out that the measurements of market structure themselves encounter dynamic forces. There are changes in consumers tastes, in productive techniques and in the introduction of new products. Thus, in assessing the definition of a market through the substitutability hypotheses there could be major changes in the firms identified as having closely substitutable products/services with the passage of time. Technical changes resulting in product and process innovations, long-term changes in demand and supply conditions and government policy changes are all suggested by Devine et al (1985) as products of changes in the structure of particular markets.

The entry into a market by firms already established in other markets has previously been mentioned. The diversified entrant, already established elsewhere may be able to provide more effective competition than completely new firms and also enjoy bargaining power vis-a-vis its rivals out of proportion to its market share. Shaw and Sutton (1976) are particular proponents of the importance of the diversification of firms in a study of market structure. In contrast Shepherd (1976) feels, that diversification is on the fringes as a structural element, but forwards three conditions of diversification which could influence the market:-

- '- the share of the firm in this market,
 - the share of the parent firm in its other markets,
 - the size of the parent firm.'
- (p 184)

Depending on these aspects, diversified firms entering a new market could therefore have little or great influence. In carrying out a progressive analysis of market structure this seems an important area to consider, according to the market being studied.

Finally, the causal link between market structure and the conduct of firms may be further expanded to include the performance of organisations. Researchers have confirmed a number of elements of market structure predicted by the theory of markets, as significant determinants of performance. If each firm's position within a market influences its behaviour, its performance is also ultimately affected.

The whole market's performance is therefore the aggregate of the individual firms performance (Shepherd, 1976). It can be assumed that particular types of market structure are consistently associated with particular types of performance. This is at least the opinion of public policies which are framed to achieve predetermined performance targets through the manipulation of market structure. The 'structure-conduct' framework is here extended to 'structure-conduct-performance'.

Devine et al (1985) conclude that those empirical studies that have attempted to establish a relationship between the structure of markets and the performance of the firms operating within them have been of limited scope in two senses. Firstly, they have mainly been concerned with only one aspect of performance, namely profits and secondly, most studies have been restricted to the market impact of one or two dimensions of market structure, most frequently, seller concentration and various measures of entry barriers. Another criticism is that structure-conduct-performance relationships are unidirectional. Shepherd (1976) does acknowledge however that although causation mainly runs from structure to performance, some return causation can occur. Therefore, structure does not determine performance completely.

Related also to conduct is the assumption that market structure 'dictates' business behaviour and performance is thought to be most applicable to the small firm. The importance of such causation must therefore be considered along with the other elements of market structure, such as the size and distribution of firms operating within.

The discussion thus far has concentrated upon the notion that firms within a market compete with other sellers and serve to gain a competitive position vis-a-vis suppliers and buyers. However, forces within an industry may not only be competitive, theoretical debate also centres upon the **cooperative** relationships within a market context.

Cooperation is frequently analyzed as an intermediate form of relationship between the open market at one end of the spectrum and the firm at the other end which is relatively self-sufficient in terms of vertical or functional integration. Thorelli (1986) entitles this connection a 'network', defined more explicitly as two or more organisations involved in long-term relationships. More than just cooperative relationships between seller firms in the literature reviewed, networks may also be formed between firms working within the same stream of activities, for instance, suppliers to and buyer groups within a market structure. Bidault, Laurent and Segla (1992) define networks as:-

'a mode of organization that can be used by managers or entrepreneurs to position their firms in a stronger competitive stance.' (p 43)

Whilst, Cummings and Huse (1989) describe similar cooperation amongst firms as a pattern of 'transorganizational development'. They suggest that such advancement is:-

'an emerging form of planned change aimed at helping organizations to create partnerships with other organizations in order to perform tasks or to solve problems that are too complex and multi-faceted for single organizations to carry out.' (p 407)

This set of writers seem therefore to be emphasising the notion that cooperative and competitive behaviour may be complementary within an industrial context. Cooperation being not only an alternative to rivalry but a way to increase competitiveness vis-a-vis competitors outside the network (Bidault, Laurent and Segla, 1992).

The determinants of collaborative behaviour were researched by Bidault, Laurent and Segla (1992). They concluded that in those industries which faced a high level of uncertainty and where a large number of activities had to be mobilized in order to deliver the end product, cooperation was likely to be formalised amongst participating firms. The maturity of industries also served to positively affect the likelihood of collaborative arrangements being formed.

The study of interfirm relations therefore allows the researcher to extend further the study of behaviour amongst firms within a market structure, recognising that in order to gain specific strategic positions, market sellers in certain industrial contexts may seek to cooperate rather than compete directly.

2.3. Strategic Groups.

The preceding analysis is largely concerned with theories of industries, building on the notion of firms and the substitutability of their products and services. However, although rival forces may affect all firms, a further competitive perspective is found in the differing abilities of firms to deal with such environmental pressures. The contemporary view of strategic management shows a considerable shift away from the atomistic view of strategy - in which each firm is considered unique in all aspects - towards a view that supports the recognition of commonalities that exist amongst firms (Dess and Davies, 1984). In order to proceed further a perspective is required which pivots between these two views. This may be achieved by studying the following two models which are derived from work by theorists such as Harrigan (1985):-

1. An industry is comprised of firms which are not homogenous.
2. Firms within an industry are not completely heterogeneous, but do share some strategic characteristics.

The following section explores these two areas, evaluating the discussions which are taking place in more current Strategic Management literature.

Industry Homogeneity Vs the Shared Characteristics of Firms.

Several writers on strategic management argue against the theory of industry-wide or shared-asset profit determination in that they have assumed the **homogeneity of firms within a given industrial context**. Previously, firms were expected to be alike in all economically important dimensions, excluding their size. Harrigan (1985) reiterates this point by stating that there is :-

‘a long-held theoretical view of industrial economics (that) except for differences in market share, the firms within an industry are largely homogeneous.’ (p 55)

Empirical investigation has shown this assumption to be incomplete. Porter (1979) in a study of convenience consumer goods, found that firms in the ‘typical’ industry were clearly not alike. Whilst, McGee and Thomas (1986) discovered that differences between firms do exist and that they are in part the deliberate outcome of decisions made by corporations.

Hatten and Schendel (1977) point to the notion that firms compete differently within an industry, and that industries are viewed as heterogeneous due to:-

‘firms (variable) resources and skills, possibly different objectives and because they have managers who view their firm’s environments on a personalised or idiosyncratic basis and make resource allocation decisions on that basis.’ (p 99)

Similarly, Thomas and Venkatraman (1988) found intra-industry variations in performance, explained by different strategic actions of firms rather than linked specifically to the industry structure.

Newman (1978) also refers to the inter-firm differences perceived by objective observers, questioning the apparent isolation some industrial organisation theorists must have had in drawing an atomistic view of industry structure.

By incorporating firms within an industry context, through processes of substitutability, one must be careful not to assume that there is more homogeneity between firms than is realistically held. For example, the external situations of firms vary and they are not all single product companies. Some may be divisional subsidiaries of a larger conglomerate, multiple product companies involved with a wide cross-section of industries and so on. Such factors must clearly have some effect on their competitive strategies within any one industry structure. Allegorically, the process of historical evolution of an industry tends to self-select dissimilar types of entrants at different times. Porter (1979) states that such evolutionary forces 'can lead to the joint presence in an industry of firms with different time preferences, degrees of risk aversion and other goals, in addition to different strategies' (p 217).

Analysis of industry heterogeneity has led to a fuller understanding of the competitive dynamics within an industry, involving a change of research direction towards studying the **conduct** of firms within an industry, rather than the process of merely industry structure. The latter subsumes similarity among firms whilst the former in concentrating upon homogeneity positively searches out the differences between firms.

There is an important school of thought which stresses the **commonalities among heterogeneous (industry) organisations** although each firm may not be considered unique in all aspects. Firms may elect to serve the same markets using a variety of approaches and thus, 'firms which do not appear to be similar may in fact be competing for the same market' (Harrigan, 1985, p 55). Their customer base may be similar, though in a competitive sense their actions are multifarious. Compared to other firms in the same industry

which have a different customer mix however, they may be seen as a distinct grouping. Dess and Davies (1984) refer to these configurations of firms as 'gestalts', having:-

'tightly integrated and mutually supportive parts, the significance of which can best be understood by making reference to the whole.'
(p 468)

Similarly, Hatten (1980) recognised that subgroups of firms employ different mixes of what are substantially the same strategic variables. This perhaps more clearly identifies the need to continue to study firms within an industry structure context. Such analyses do not assume that firms are dissimilar enough to be identified outside of this industry context. Porter (1979) summarises this area of research appropriately by stressing that an industry is not homogeneous but a collection of diverse, but, interacting firms.

From the literature so far viewed, the emerging concept of a 'strategic group' of firms provides an intermediate reference point between viewing the industry as a whole and considering each firm separately. Empirically, the formation of strategic groups provides evidence that 'strategies differ among firms and that better strategies make a difference in performance terms' (Dess and Davies, 1984 p 468).

Harrigan (1985) qualifies such strategic grouping by pointing out that 'strategic mapping can be a useful way of tracking industry dynamics as firms become more similar to or different from each other.' (p 55)

In summary the 'strategic group' concept represents a means of segmentation of a sector of an industry into sets of firms whose competitors actions are similar and inter-related.

Definition, Construction and Interpretation of Strategic Groups.

Porter (1984) defines strategic groups within an industry as 'clusters or groups of firms where each group consists of firms following similar strategies, in terms of the key decision variables..I define such groups as strategic groups.'
(p 275)

Firms within a strategic group therefore resemble each other relatively closely depending on the particular construction of the groupings. The relationship **between** strategic groups is very different. As with most other similar constructs and definitions, there has been much debate centred around strategic group combinations.

Newman (1978) asserted that strategic groups can be 'defined and identified by the relationship between the industry at hand and the activities carried out by its member firms outside the industry' (p 418).

This concept has been held to lead to questions concerning the identification of industry boundaries. Some theorists have postulated that such strategic groupings more closely resemble 'properly defined' industries. If the notion of interdependence is considered here, this assumption has little grounding. For example, it can be demonstrated that those inter-firm differences in strategy that distinguish strategic groups reflect different approaches to operating within the same competitive arena. While the industry or market setting is important, it obviously does not take into account differences in the strategic responses of the member firms to fulfil their individual profit motivations. Firms within a given strategic group will tend to respond in the same way to disturbances and will thus be able to anticipate each others reactions (Porter, 1979 p 217).

In identifying industry dynamics and the different strategic choices made by firms, strategic group analysis has a useful role to play. Hatten and Schendel (1977) suggest that in principle the firms should be grouped into distinct and homogeneous classes. The problem however as the authors identify, is to determine the appropriate order of pooling, and to decide upon which firms to group with which.

Cool and Schendel (1987) in following such a line of inquiry question whether the strategic group concept is in fact capable of defining unequivocally the variables upon which group identification procedures are based. The problem, as they recognise it, is the wide variety of methodologies applied to the study of strategic groups:-

‘some approaches have been descriptive, interpretative, even anecdotal and others quite elaborate in terms of the methods of science.’ (p 1104)

It might be argued that if variables used are specific to the industry context being assessed, they are likely to be dissimilar across different industry studies. Although, Cool and Schendel’s point may be usefully incorporated into a construct of strategic groups (if groupings were based on strategic variables) this could at least be standardised in conception. Ultimately however, the industry context would determine the final construction.

Fiengenbaum, Sudharshan and Thomas (1987) appear to agree with this assumption in relation to the construction of strategic groups:-

‘the choice of important strategic dimensions is the key issue in performing strategic group studies.. ignoring the underlying economics and market structure, may mean that the strategic grouping exercise is a mere fishing expedition.’ (p 147)

Dess and Davies (1984) use Porter's 'generic strategies' which capture the possible differences among the strategic options of companies in a given industry. Figure 2.1 depicts the three general strategies used by these author's. The options available to firms according to Porter are to gain (1) **cost leadership**, through establishing a low cost position, or (2) **differentiation** within the industry or (3) conversely to gain distinction within a particular segment of the market, expressed as a **focus** strategy.

Figure 2.1. Porter's Three Generic Strategies.

		<u>Strategic Advantage</u>	
		Uniqueness Perceived by the Customer	Low Cost Position
<u>Strategic Target</u>			
Industrywide		DIFFERENTIATION	OVERALL COST LEADERSHIP
Particular Segment only		FOCUS	

Source: Porter, M E (1980) Competitive Strategy. The Free Press p 39.

McGee and Thomas (1986) similarly recognise the importance of such a classification being industry/market specific and suggest that strategic groups offer a:-

'systematic and comprehensive way of conducting a strength and weakness analysis in terms of the framework of relative competitive advantage.' (p 142)

In addition to the above comparisons the point made in much of the literature reviewed is that note should be taken of the Chief Executive Officer (CEO) or senior executives within firms when constructing groupings within a given industry. It is often therefore postulated that managers in a particular firm will relate industry level variables to their strategic decisions at firm level. Given that CEO's are generally acknowledged as being very influential in the process of strategy formulation, they must similarly be regarded as an important factor in the recognition of strategic groups.

There appears to be much debate concerning the construction of strategic groups, perhaps somewhat at the expense of the definitional discussion and/or their relative importance in the process of strategic analysis. However, the key issues can be summarised as:-

- each strategic group should be composed of companies that follow similar strategies.
- firms within a group resemble one another more closely than any other firm outside the group.
- firms within a group are likely to respond similarly to a market opportunity or threat, which is important in recognising the industry context of groups.
- CEO's may be able to identify for themselves such differences due to the recognition of their immediate competitors and those relevant to their own reactions to industry events.

Thus, it can be assumed that strategic groups should typically be confined to a single industry, with the variables used to identify groups selected on the context of the industry under investigation. There is perhaps little argument over the definition of strategic groups within the context of the identification of dissimilar characteristics amongst firms. Arguments tend to centre upon the differential characteristics chosen to construct strategic groups. If industry-specific and strategically identified, these characteristics should at least be consistent, from a conceptual viewpoint.

When using the concept of strategic groups in the analysis of an industry, the **interpretation** of the ultimate findings generally bear more theoretical significance than the initial construction of such groupings. The constellations are generally used to predict further future strategic behaviour, or performance, or both. Three main explications are identified as being predominant within the literature reviewed, including one stressing the performance continuum. These centre upon the following questions:-

1. How stable are strategic group structures and strategic group membership ? (Cool & Schendel, 1987)
2. Have group membership and the key competitive strategic dimensions changed over time ? (Fiegenbaum, Sudharshan & Thomas, 1987)
3. Has strategic group membership performance consequences ? (Dess & Davies, 1984)

The first question maybe answered by incorporating the notion of 'mobility barriers', while the other two obviously relate to the changes in strategic groups over time and the relationship between groups and performance.

The following sections briefly assess some of the arguments forwarded in answer to these interpretative questions.

(a) Mobility Barriers.

In industrial organisation theory, as emphasised previously, the key characteristics of the structure of an industry are encapsulated in the idea of entry barriers and market power is said to stem from the presence of structural or behavioural barriers to the entry of new competition.

McGee and Thomas (1986) stress that this debate applies also to strategic groups:-

‘A firm within a group makes strategic decisions which cannot readily be imitated by firms outside the group without substantial costs, significant elapsed time or uncertainty about the outcome of those decisions ..."mobility barriers" and the associated costs of mobility have become the accepted phraseology.’ (p 150)

Mobility barriers may be observed as group- specific entry barriers, which are not entirely common to the industry. Such barriers not only insulate firms from entrants new to the industry, as do conventional industry entry barriers, but also they insulate/protect firms within the specific strategic group from entry by members of another group. Thus, firms within a strategic group are offered this ‘dual protection’, both externally and internally (Porter, 1979).

Investment in strategic resources which create such mobility barriers may explain the initial formation of strategic groups. Such interpretative analysis aids in reaffirming the membership of strategic groups, by identifying those strategic elements that serve as entry barriers. Porter (1979) stresses that mobility barriers and hence strategic groups:-

‘amount to structural elements of an industry, but these structures were originally created, or actuated by firms discovering how to exploit differences in their initial assets.’ (p 216-217)

Analysis of such barriers may refer to the movement between strategic groups due to competitive and/or industry changes, as well as the stability of such structures over time. This longitudinal analysis is further stressed below, along with its relationship to mobility barriers.

(b) Group development over time.

Prior to the work of Dess and Davies (1984) amongst others, the majority of studies addressed appear to have been limited to the identification of strategic groups at a given point in time and thus what might be termed ‘static analyses’. Dess and Davies (1984) recognised the importance of a longitudinal analysis in order to establish whether groupings identified in one point in time

would hold in another.

This notion of forecasting future groupings or strategic directions which firms may pursue to anticipate the long-run evolution of industry structure has brought an even more dynamic perspective to the study of strategic groups.

However, it must be recognised that some static points in the analysis are required, as a necessary comparison mechanism. Fiegenbaum, Sudharshan and Thomas (1987) have identified 'stable strategic time periods' which specify the period of time over which information may be gathered, representative of environmental or internal changes that may have affected strategic groupings. A change in strategic orientation by the firm may well be due to 'external forces' so the former is an effect of the latter. Mobility barriers also have an important affect on the likelihood of changes amongst the membership of strategic groups overtime.

(c) Strategic group performance.

A recurring theme in the literature reviewed appears to be that strategic group membership has performance consequences. However, as shown previously by Dess and Davies (1984) in particular there is no consistent, uniform support from such empirical studies for the differential performance hypothesis (between strategic groups). As with performance differences between industries, the strategic group model suggests that intra-industry profit rates will vary if there are heterogeneous strategic groups - assuming inter-firm rivalry which will affect the dispersion of the firm's profits within an industry. Porter, is a particularly strong proponent of this strategic group-profit link.

It is perhaps this interpretative dimension which mostly points to the importance of strategic groups as a focus of analysis between the industry as a whole and the individual firms therein. An industry analysis would determine an industry-wide profit level or characteristics, whilst the study of individual firms would merely analyze their profit determination in isolation.

The general problem, as with most uses of performance indicators, is the issue of how to measure performance. From an organisational viewpoint, performance is clearly a multidimensional concept, implying that multiple indicators need to be employed. This is where the enigma lies, and performance linked to specific strategic groupings is perhaps the most acceptable integrative concept, dependent upon all the other factors considered. Porter, among others, has introduced the notion of risk-adjusted performance measures.

Finally, the interpretation of strategic groups, although relying on the construct of groupings initially, remains the most important dimension of such studies in their aim of providing dynamic snapshots of an industry structure and its resultant internal workings.

2.4. Summary and Key Findings.

This review has identified and discussed three fields of specific study. Particularly, industry structure, strategy and structure of organisations and strategic groups amongst groups of organisations and their inter-relationships.

Strategy and Structure

The review of strategy concludes that the concept, as an indicator of organisational behaviour, is appropriate for analyzing business organisations. The fact that it has linkages with many other constructs or variables such as the structure and performance of organisations and so on, enriches any such investigation. Hambrick (1980) provides a summary of the factors only touched upon in this review:-

‘strategy is generally viewed as a pattern of important decisions that (1) guides the organisation in its relationship with its environment, (2) affects the internal structure and processes of the organisation, and (3) centrally affects the organisation’s performance.’ (p 567)

Thus, an important causal linkage between strategy-structure and performance of an organisation is demonstrated. Although Chandler (1962) and his followers believed that structure was adopted to suit strategy, later studies in the 1980’s have put forward the belief that an opposing direction of influence is equally plausible which implies that structure constrains strategy.

Firms must therefore not be analyzed in isolation of their environments, as prescribed by earlier industry observers (case-history analyses of individual organisations).

It can be concluded from the strategy and structure literature, that there is a strong link between industry structure and the resultant conduct and performance of firms operating within this context.

Industry Structure.

As Coase (1976) observes, the unusual thing about the field of industrial organisation is that there is no such field; no explanation of what forces determine the way in which industries are organised. Although perhaps an extreme view, many of the concepts discussed in Section 2, Industry Structure, in criticism, have perhaps appeared just as arbitrary. However, the recognition of the shortcomings of such concepts serves only to assist in being realistic and cautious in the use of such theoretical frameworks. Researchers' judgements of the perimeters of market boundaries etc. allow such concepts to be applied although perhaps not in a rigid, scientific sense. Additionally, firms and the industry and markets they operate within are dynamic. Shepherd (1976) reiterates:-

'An extreme 'behaviourist' view would give structure little influence at all (whilst).. an extreme 'structuralist' approach would assign structure a thorough influence.' (p 173)

Scherer (1976) relates to the work of some economists who have put forward a different view of the processes by which market structures emerge in that those observed at any moment in time are the result of pure historical chance and he identifies these as 'stochastic determinants of market structure'.

Each firm is said to face the same distribution of growth possibilities while their actual growths are determined by random sampling from the distribution of possibilities. The more prolific industrial economists have not taken such a view and have preferred to work within a more structured framework by citing more tangible explanations for the determination of market structures.

The reciprocity between the strategic and structural variables of an organisation and the market structure which they operate within, extends both theoretical fields. Hatten and Schendel (1977) hypothesize thus:-

‘together, the conduct of the firm and the market structure of the industry would explain the inter-firm differences we observed. In effect we proposed a general model where:-

$$\text{profitability} = \text{market conduct} , \text{market structure}'$$

(p 98)

Porter (1979) suggests that industry traits of market structure (such as industry growth and the structure of buying industries) impact upon the profits of all firms in the industry, and hence the industry's profitability.

A further dimension of industry dynamics, interfirm relations, are given short shrift amongst many of the industrial organisation theorists reviewed.

However, the recognition that participants in an industry setting might seek to form cooperative arrangements in order to resolve strategic issues extends the analysis of market behaviour.

Thorelli (1986) states that positioning a firm within a network becomes a matter of as great tactical significance as positioning its product in the marketplace. Thus, transorganisational development theory overlaps with the strategic choices made by companies within the context of a specific industry structure.

Strategic Groups.

Strategic groups were shown to allow for an intermediate reference between the study of market structure, on the one hand, and individual firms on the other. The most significant aspects drawn from the literature search are summarised, as follows:-

- An industry is composed of heterogeneous firms but there are also some commonalities amongst firms. They provide an intermediate frame of reference between reviewing the industry as a whole and considering each firm separately.
- Each strategic group should be composed of firms that follow similar strategies, they should resemble one another more closely than any other firm outside the group and they are likely to respond similarly to a market opportunity or threat.
- Strategic groups are able to construct entry barriers, through strategic manoeuvres, known as 'mobility barriers'. These further protect firms from entry by members of another group. Depending on their construction and height, movement may or may not occur across strategic groupings.
- Analysis of strategic groups should include interpretations longitudinally and take into account mobility barriers and the relationship between groups and firm performance.
- Strategic group interpretation thus allows a return back to an industry context as their configuration allows analysis of the degree of rivalry among groupings and thus may be identified as competitive rivalry within an industry.

Finally, these main conclusions, summarised from the literature reviewed, will form the following theoretical framework:-

- (1) There is strong link between market structure and the resultant conduct and performance of firms operating within this context.
- (2) The structure of an industry or market is therefore only relative, in that competitive forces affect all firms, but the key is to be found in the differing abilities of firms to deal with them.
- (3) The potential of firms to deal with these forces may then be identified in the strategies they enact, the structure of the firm in which these are administered and then the resultant state of performance specific to that firm.
- (4) Strategic groups are a concept of finer grouping than both an industry and a market, and a broader grouping than an individual firm. They recognise that there are similarities between firms in dealing with market forces, and thus a sub-grouping.

CHAPTER 3. THE UK HOTEL INDUSTRY.

3.1 Definitional Problems.

This section identifies in explicit terms the industry and market context in which hotel consortia operate.

An accurate quantitative evaluation of the UK hotel industry including estimation of the value of the hotel market causes problems as there continues to be a lack of a universal acceptance of what constitutes an hotel. As a consequence, figures for the total number of hotels in the UK cannot readily be agreed. It has been suggested that more frequent information about the changing structure base of the industry should be available for more informed industry/government debate. However, this information gap is due to a combination of factors in that there is:-

1. an absence of a universally acceptable organisational definition of the hotel and;
2. no compulsory registration scheme for such organisations in the UK, compared with the practice in many other developed countries.

The lack of a definitional consensus is no more clearly demonstrated than amongst the media, industry analysts, government departments and academics who study different aspects of those organisations identified as coming within the 'hotel industry'.

Such confusion necessitates at least a contemporary analysis of the industry in which hotel consortia have developed prior to exploring the issues behind this development.

The sections which follow attempt:-

(1) to define the hotel industry, in order to identify the market context of hotel consortia, and

(2) as a consequence of this analysis, to proffer more precise definitional characteristics of hotel organisations themselves.

In the context of industry structure analysis an evaluation of the supply and demand characteristics of hotels serves as a pre-cursor for further analysis in the next section of this chapter.

3.2 The Implications for Supply Substitutability.

Supply substitutability is based on the notion that a unit of production or service may be substituted in supply terms if it can readily change its product/service mix so as to produce a particular product/service. Groupings such as those found in the Standard Industrial Classification (SIC) system contain this primary emphasis upon substitutability of supply, based on similar presumptions concerning a firm's behaviour in the market-place.

Designed to promote uniformity and comparability in official statistics of the UK, the first edition of the SIC published in 1948 included 'Catering, Hotels etc.' as a first attempt to clarify these market sectors in the economy. This and preceding editions serve to illustrate the heterogeneity of units within this market sector and how the market's scope has widened with the increase in firms as well as the emergence of new types of units.

The 1948 SIC presented a grouping entitled 'Catering, Hotels etc.' which featured all organisations which had as their common function the supply of basic needs to those away from home (Medlik and Airey, 1978). These firms were sub-divided into groups based on one of the following characteristics of operation:

- 1) Supplying facilities not associated with overnight accommodation, these could be provided within an 'open' arena such as within restaurants and cafes which were assumed to be frequented by the general public in their leisure time or within a 'closed' context such as a workplace canteen, which obviously referred to eating and drinking in working time.
- 2) Supplying accommodation either for a short period of time such as overnight (units were then defined as hotels) or for longer periods, thus incorporating short tenancy agreements (defined as boarding houses).
- 3) Supplying entertainment facilities, again either in an 'open' arena (public houses thus came into this category) or in a 'closed' arena such as the facilities provided by membership clubs.

In the 1958 SIC system, it was presumed that 'hotel and catering' activities (although these were not readily defined) should be the main activity of firms. Excluded were non-profit making organisations, or those open to the public, such as school canteens operated by school authorities and industrial canteens operated by employers. Seen, presumably, as ancillary to the other objectives of the organisations concerned.

Interestingly, also excluded from the listings were restaurants in department stores and sports clubs, which displayed the narrow definition, particularly of high-street retailing and entertainment which includes food, drink and sport participation (this being seen as supplementary rather than a part of the 'whole' package).

From a supply point of view high-street restaurants and so on would have to take note of departmental store catering as competition, just as nowadays sports facilities with food and drink provided are competitive with the leisure facilities being added-on to hotels and the like.

The SIC system in force in 1968 provided for the following headings under the grouping of 'Hotels and Catering':-

- Hotels and other residential establishments
- Restaurants, cafes and snack bars
- Public Houses
- Clubs
- Catering Contractors

The significant change here was the grouping of all residential establishments and the exclusion of those catering contractors involved in canteen and school catering, for example. Public houses gained their own identity, as did clubs.

Above all, current groupings have evolved to include only those with **commercial orientation**. From this inspection it may be concluded that as **consortia have developed mainly to serve hotels**, they may be categorised within the first grouping in the 1968 system, although to date, they have not included the other types of accommodation units as members.

Further observations may now be presented in relation to such a grouping, based upon supply substitutability.

The problem with the above classifications, in addition to the industry boundaries that have been set up by bodies such as the Hotel, Catering and Institutional Training Board (appointed by the state), has been the adoption of the economist's notion of firms and the application to these establishments. Generally this does not take into consideration the fact that many firms have multiple establishments nor that the ultimate owning organisation may be a conglomerate trading in many varying activities. Additionally, firms may have differing groups of service/product concepts competing with each other but under the same umbrella of ownership and these factors may not readily be accounted for within the substitutability criterion. It may be postulated however that such aspects have an influence upon the competitive behaviour of firms within a market/industry structure, and these features are explored in the next section of this chapter.

Hotel (and residential) establishments appear to have most potential to convert their products/services to serve different markets. It has been the case in certain instances that hotel bedrooms have been sold as self-catering suites or apartments. In the asset valuation of a hotel there may be scope for alternative uses for the property, such as retail or office premises if the unit is in a prime high street or strategic location.

This could relate to the ability of such units to exit the industry. Supply itself in practice may not easily be substitutable and other accommodation sectors such as boarding houses and guest houses will be distinguished more clearly from hotels, in terms of demand substitutability. However, ancillary aspects of the business have been affected by 'outside' sources of supply.

Central reservations, for example, which allow customers to book hotel accommodation indirectly, without contacting the establishment itself, allow speed and consistency in the booking and confirmation processes and have provided a competitive product/service supplied by middle agencies between the hotel and the customer. Thus, control to a certain degree has been taken out of the hands of hotels into travel and specialist booking agencies.

Correspondingly, leisure centres¹, restaurants and bars as part of total hotel complexes are all substituted by other organisations within the same overall industry grouping, as defined by government statisticians.

Therefore, the issue to be contended is exactly which supply is being supplanted. If it is **the amalgamation of accommodation, food and drink (and other related facilities)**, then hotels may be a clear boundary or **cut-off point**. Substitutability of demand will serve to further breakdown barriers of supply in this one sector.

¹ The analysis does not address the question of defining the Tourist or Leisure Industries. These both encompass a wide range of products and services of which hotels and catering establishments and so on are merely a part.

3.3 Demand Substitutability.

Hotels are just one supply source in this multi-faceted industry, although competition from substitutes varies across the different range of groupings. Substitutability, related to demand, will be more fully assessed following a study of the statistics relevant to each market sector. As the analysis will show, **hotels are particularly important providers of services to business and short-break tourists**, both lucrative markets. Similarly, **overseas visitors** rely far more heavily on hotel accommodation than alternative forms of accommodation. To put the industry into context it is useful to consider some actual tourist statistics.

DOMESTIC DEMAND.

As Table 3.1 displays, domestic tourists accounted for a greater market than overseas tourists in both volume and expenditure terms in 1987. The number of trips by this former market group increased by three per cent in the twelve months to December 1987.

Table 3.1. Domestic & Overseas Tourism in 1987.

(millions)

	<u>Trips</u>	<u>Expenditure</u>
Domestic Tourists	32	£6,775
Overseas Tourists	15	£6,272
Total	47	£13,047

Source: British Tourism Survey - Monthly & International Passenger Survey.

Table 3.2 illustrates that the number of nights and expenditure by tourists fell in the same period, suggesting that shorter and less expensive trips were taken.

Table 3.2. All Domestic Tourism in Britain 1985 - 1987.

(millions)

<u>Year</u>	<u>Trips</u>	<u>Nights</u>	<u>Expenditure</u>
1985	126	500	£6,325
1986	128	510	£7,125
1987	132	495	£6,775

Source: British Tourism Survey - Monthly.

Approximately £3,000 million was spent on 'accommodation' by all domestic tourists in 1986, accounting for the highest proportion of total expenditure, thirty-one percent, as seen in Table 3.3. Although the accommodation sector gained the highest proportion of expenditure during this period, other sectors obviously competed for the additional items required by domestic tourists away from home.

One may assume that accommodation units, such as hotels, also accounted for a sizeable proportion of expenditure by tourists on 'eating and drinking'. Thus substitutability may only be witnessed in relation to those ancillary services that accommodation units may provide such as food, drink and entertainment, which are competitive with restaurants, bars and so on, where these are the principal services and products.

Table 3.3. Distribution of Domestic Tourism Expenditure in 1986.

	(%)
Accommodation	31
Travel	26
Eating/Drinking	25
Clothing	3
Other Shopping	7
Entertainment	4
Miscellaneous	3
Total	100

Source: British Tourism Survey - Monthly.

Domestic tourism may more usefully be classified according to the **purpose** of tourist's visits, either holiday/pleasure or business.

(a) Domestic Holiday Tourism.

Holiday tourism by domestic tourists accounted for fifty-five per cent of all domestic trips in 1987. Table 3.4 reflects the magnitude of this particular market sector and it accounted for the majority of tourism nights (sixty-nine per cent) while holiday tourists expenditure was sixty-three per cent of the total.

The decrease of six percent in the number of nights spent by holiday tourists signifies the continuing decline of the long holiday market (defined as a stay of four nights or more).

Table 3.4. British Holiday Tourism in Britain 1985 - 1987.

(millions)

<u>Year</u>	<u>Trips</u>	<u>Nights</u>	<u>Expenditure</u>
1985	70	355	£3,900
1986	71	360	£4,250
1987	73	340	£4,300

Source: British Tourism Survey - Monthly.

Domestic holiday tourism is therefore an important source of demand for all accommodation units. The importance in substitutability terms is that holidays taken abroad by British residents accounted for thirty-five per cent of the total holiday market in 1987, compared to only seventeen per cent in 1971.

Table 3.5 reflects the growth in such a competitive source of demand, and firmly establishes the fact that holidays taken abroad now account for over a third of all long holidays taken. This source of demand serves as a threat to those hotels and other residential units which rely on the domestic holiday tourist.

Table 3.5. Holidays (4+ nights) Taken By GB Residents.

<u>Year</u>	<u>In GB</u>	<u>(%)</u>	<u>Abroad</u>	<u>(%)</u>
1971	34	(83)	7	(17)
1981	37	(74)	13	(26)
1985	33	(67)	16	(33)
1986	32	(65)	17	(35)

Source: Social Trends 1988.

Of significance is that the decline in the long holiday market is off-set by the increase in the number of short breaks taken for between one and three nights duration. The sustained growth in overseas package holidays at the expense of the more traditional domestic seaside holiday, coupled with proportional increases in disposable income and leisure time availability are all factors which have contributed to a change in the composition of the tourism market in the UK. The overall effect of these has been the development of a domestic (and smaller overseas) market for short holidays which consumers typically use to supplement their main overseas holiday once or more during the course of the year.

The definition and constitution of a short break receives little agreement in tourism literature (See Travel & Tourism Analyst, 1987, 46 and Euromonitor, 1987 as examples). However, as (statistically) the majority of such holiday trips are of two or three nights duration, the generic term 'short breaks' may best be used. The fact that an increasing number of packages are now being offered for more than three nights duration and that they may be taken in mid-week as opposed to only in weekend periods, further justifies the use of this wider-encapsulating term. For this study, to allow 'long holidays' to be categorised as stays of four nights or more, a 'short break' is defined as any leisure stay away from home for a minimum of one night and a maximum of

Short breaks in 1988 account for some fifty per cent of domestic holidays or sixty-five million nights. This market is particularly important for hotel accommodation, where hotels have the location and facilities to attract such a growing market sector. Hotels are the second most popular type of accommodation used in conjunction with short breaks being twenty-seven per cent in 1985 (Teare, 1987 p 2).

Hotels however are just one form of accommodation provided for the use of holiday tourists away from home. Within the long holiday market in particular, **competition is strong from other forms of accommodation**, which are chosen by visitors in preference to hotels. For example, self-catering units were used by forty-eight per cent of tourists and visiting friends and relations constituted twenty-two per cent of this sector.

Hotels appear to offer a relatively high price option depending on location and standard of unit, therefore on a price basis allowing self-catering and other accommodation sectors to be more substitutable.

The **strong threat of foreign competition** probably effects more the long holiday market, here it is the destination and other factors such as the climate which are not easily substitutable with hotels in this country.

The emergence of the inclusive tour package has reduced the overall price of holidays abroad, therefore hotels in this country may be seen to offer an even higher price option. Interpretation is that the decline in market size (the long holiday market in the UK) has been partly due to demand for lower priced serviced accommodation shifting to overseas markets. Forecasts showed that the competing markets of holidays abroad and self-catering accommodation were growing. The holiday abroad market was expected to grow by fourteen per cent in terms of size and by nearly a quarter in terms of expenditure and the domestic self-catering market by nine percent in expenditure, though only one percent in volume terms, during the five years from 1982 (Litteljohn,

1986 p 43).

Caves (1967) points to the importance of studying national boundaries when analyzing the substitutability elements of products/services. He also reiterates the failure of industrial organisation to analyze how international linkages affect market performance and other elements of industrial structure. An example in this context is the emergence of competition in the long holiday market in this country from foreign resorts rather than from different supply substitutes in UK. However, one does not doubt the difficulty of defining quantitatively the spatial elements of markets, as Caves (1976) reiterates.

The long holiday market may be seen as in a mature state, rather than decline. Hotels still compete for customers from this sector and maybe able to trade longer throughout the year due to the amenities they offer. However, it is in **the short holiday market that hotels are really able to offer superior products/services to customers over alternative forms of accommodation.**

Within the market for short breaks, hotels maybe able to achieve a fairly strong position in relation to competition for other types of accommodation. This is due to the fact that although the price for a hotel stay will still show a cost disadvantage relative to other sectors, the total amount involved will not form such a large potential use of a household's discretionary income. Furthermore, as Litteljohn (1986) reiterates, holiday taking out of the main summer months in Great Britain dictates that accommodation will have to be of a relatively high standard. Additionally, the success of London as a destination for short break holidays has meant the increased use of hotels as alternative forms of accommodation are less available in this location.

Hotels often provide more extensive facilities for this market, including leisure centres, golf courses and many other sporting, recreational and entertainment amenities. Such additions to the basic hotel product (comprising accommodation, food and drink) have resulted in many hotels becoming

destinations in their own right. Transport and planned leisure activities may also form part of the total holiday package.

The investment required to provide such facilities and the additional marketing expenditure that is needed to sell such 'short break packages' dictates that it is the larger, often company managed hotels which are most able to compete for this area of demand.

Location and/or size, owner/management and facilities (which sometimes offset location disadvantages), as important factors in this market, are leading to an increase in the use of hotels in this sector. Social and demographic trends are likely to strengthen the overall growth in the short break market. Pannell Kerr Forster (1982) estimated the following percentage points of growth:-

Table 3.6. Growth in the Short Break Market 1982 - 1987.

	<u>Holiday Trips</u>	<u>Holiday Nights</u>	<u>Expenditure</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Growth in Overall Market	10	10	10
Growth in Demand for Serviced Accommodation	13	13	10

Source: Pannell Kerr Forster Associates, 1982

The figures show a corresponding 13 per cent increase in the demand for serviced accommodation over a five year period. Most of the ten percent increase in spending was concentrated in the licensed hotel sector, thus as less substitutable products, the other sectors are likely to experience smaller

increase in spending was concentrated in the licensed hotel sector, thus as less substitutable products, the other sectors are likely to experience smaller growth. Visiting friends and relations, referred to as an equally important accommodation source for the long holiday market, will obviously remain as a competing sector.

(b) Domestic Business Tourism.

1987 saw an increase in the number of nights spent away from home on business by British tourists, as Table 3.7 indicates below. Based upon total domestic tourism the business market accounted for fifteen per cent of trips, thirteen per cent of nights and twenty-five per cent of expenditure.

This type of demand is important for hotels, as opposed to other forms of accommodation, due to the fact that seventy per cent of expenditure on business travel is spent in hotels, and sixty-one per cent of all trips use some form of serviced accommodation. The breakdown of accommodation used by business tourists can be seen in Table 3.8. This source of demand is less fickle than holiday tourism although it is obviously affected by economic and industrial trends.

Table 3.7. Business & Conference Tourism in Britain by British Residents.

(millions)

<u>Year</u>	<u>Trips</u>	<u>Nights</u>	<u>Estimated Spend</u>
1985	20	50	£1,775
1986	22	60	£2,150
1987P	20	65	£1,700

P = Provisional

Source: British Tourism Survey - Monthly

The dominance of hotels as an accommodation source for business tourists is further reflected in the destination of these tourists. Large towns and London are both popular business destinations (see Table 3.9) where hotels, and particularly company hotels, have largest market share. Almost three-quarters of all trips were to towns, including London.

An important additional source of demand is generated from conference and convention business. Six percent of all trips are estimated to be conferences, although they probably account, per trip, for more expenditure in ancillary departments of the hotel.

Table 3.8. Accommodation used in Britain by Domestic Business Tourists - 1987.

	<u>Trips</u>	<u>Nights</u>	<u>Estimated</u> <u>Spending</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Licensed Hotel	51	43	70
Unlicensed Hotel	10	13	9
Friend or Relative	13	13	7
Paying Guest	3	3	2
All Rented	14	13	6
All Other/In Transit	14	13	6

Source: British Tourism - Monthly

Hotels, compared to other accommodation sectors, are able to dominate this market due to the provision of extensive ranges of facilities supplied specifically to attract this demand source. As residential conferences require a corresponding amount of room accommodation, in addition to conference facilities, the larger size of hotels are further able to secure a competitive advantage in this area of trade. The remainder of business trips are those taken by employees or others in the course of their work.

Table 3.9. Location of domestic business tourists in 1987.

	<u>Trips</u>	<u>Nights</u>	<u>Estimated</u> <u>Spending</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Large Town	30	29	32
Seaside	10	11	10
Small Town	22	21	17
Countryside	13	14	12
Not sufficiently Specified	3	3	2

Source: British Tourism - Monthly

The characteristics of this market, such as the **dominance of corporate buyers** (companies and corporations which directly book and pay for the accommodation, and may wield certain bargaining power) and the fact that it is a high spend (an average spend of £85 per night was recorded by the English Tourist Board in 1984), require a high and sophisticated level of on-site servicing which is the reason for the dominance of hotels in this sector.

An increasing range of additional facilities are being added to the services of hotels, such as easy check-out features, special clubrooms and facilities targeted at specific business groups such as women travellers and top executives. **Advertising and marketing campaigns** to gain loyalty amongst this lucrative group of customers also further sophisticates this sector.

In two cases, individual business travel and conferences and conventions, customers will also value easy access to commercial centres and transport systems. One may therefore surmise that hotels have few substitutes in this sector, that they offer such a **level of services** to be able to cater for such tourists' needs and that **locationally** and in terms of size they also hold advantages over other forms of accommodation.

The cost of operating a unit in locations favourable to such a market (such as main commercial centres or on major transport routes) requires **major investment** and the ability therefore to rely on **economies of scale** in finance and development terms, necessitating a unit of relatively large size. This latter fact further points to the dominance of hotels to serve this market (and often those owned by companies rather than by individuals).

OVERSEAS TOURISM.

1987 saw a 10 percent increase in the number of overseas visitors, compared to 1986, as Table 3.10 shows.

Table 3.10. Overseas Visitors to the UK.

(’000s)

<u>Year</u>	<u>Total</u>	<u>European Community</u>	<u>Rest of Western Europe</u>	<u>North United States</u>	<u>Other</u>
1984	13,644	6,292	1,259	3,330	2,793
1985	14,449	6,557	1,313	3,797	2,782
1986	13,844	6,888	1,413	2,843	2,699
1987	15,445	7,610	1,586	3,394	2,855

Source: International Passenger Survey.

Important in respect of accommodation substitutability is the expenditure of this group of tourists. Total expenditure increased by fifteen per cent in the twelve months to December 1987 (see Table 3.11). As with domestic tourism, over thirty per cent of this expenditure is spent on accommodation. A smaller amount is spent on travel in the UK but more is spent on eating, drinking and shopping, making the multiplier effects of overseas tourism relatively high in the UK (see Table 3.12).

Table 3.11. Earnings from Overseas Visitors to the UK: Current Prices (£m).

<u>Year</u>	<u>Total</u>	<u>European Community</u>	<u>Rest of Western Europe</u>	<u>North United States</u>	<u>Other</u>
1984	£4,614	£1,194	£369	£1,271	£1,780
1985	£5,442	£1,383	£440	£1,709	£1,911
1986	£5,435	£1,599	£491	£1,464	£1,882
1987	£6,272	na	na	na	na

Source: International Passenger Survey.

Therefore, hotels can compete for additional demand in particularly the sectors of food and drink, although once again there is the possibility that they may be substituted for all other forms of restaurants, bars, public houses and so on.

Table 3.12. Distribution of Overseas Tourism Expenditure in 1986.

	(%)
Accommodation	32
Travel	9
Eating/Drinking	23
Clothing	14
Other Shopping	13
Entertainment	4
Miscellaneous	5
Total	100

Source: Tourism '88

Business tourism in this overseas market is increasing, accounting for 3,522,000 visits in 1987 (International Passenger Survey, 1987) and as with the domestic market this group is particularly high spending, using hotels predominantly.

Overall, and particularly amongst long-haul travellers, the overseas holiday visitor requires a greater level of servicing by the tourism industry in comparison to its domestic counterpart. Litteljohn (1986) therefore suggests that there is a **relatively high propensity to stay in hotel accommodation**, as opposed to cheaper accommodation options. This may partially be accounted for by the more common use of **tour operators and other tourism intermediary organisations** by this set of visitors.

Tourism intermediaries require large amounts of accommodation for pre-defined periods and will need to use hotels (due to their larger capacities) for this requirement. Because of their ability to secure such large accommodation bookings these organisations are also able to wield **considerable bargaining power**. Added to this there is a **concentration of overseas visitors in the Greater London area** and trade estimates show that over 60 per cent of foreign tourists visit this municipality. As discussed previously, hotels are the most significant type of accommodation here.

As pointed out above, some hotels are dependent on inclusive tours and they generate more per head however from independent overseas travellers, on business or pleasure trips to this country.

The latter generate higher expenditure levels than inclusive tours which tend to result in heavily discounted accommodation rates and there are also increased leakages of expenditure back to tour operators.

NON-RESIDENTIAL DEMAND.

Demand locally for entertainment (including food and drink) is difficult both to clarify and quantify. However, simply, demand substitutes for this sector appear not only to be hotels but restaurants, travel catering, clubs, pubs, fast food, cafes and take-away establishments. Theoretically, at certain times during the day these may be substituted by industrial canteens, welfare catering and so on.

The aim in this analysis is to show the significance of not only relying upon 'national' markets but also assessing those regionally or locally based. Output has a geographical as well as a physical characteristic. Goods and services produced at widely separated geographical locations may not be substitutable from the point of view of consumers.

Customers of pubs and restaurants, for example, do not regard the services of all those units in the country or even in the same region as nearly perfect substitutes for each other and because of this the behaviour of any particular local pub or restaurant will only be influenced by and in turn will influence itself, the behaviour of other units whose services have a similar geographical characteristic.

Returning to the context of this analysis, substitutability of supply locally is very far reaching. Hotels may differ in this context as they provide many different facilities locally. They are not so restricted as a pub or restaurant, for example, as they provide similar provisions but much more besides, for instance, venues for dances and banquets, sports and leisure facilities, meeting rooms and so on.

It is however the extent of this local competition which has often resulted in the 'bed-led' philosophy of hotels, coupled with the increased margins available from the sale of bedroom accommodation. But the investment in

these additional facilities in order to attract residential demand has also led them to seek further forms of revenue generation to off-set such high levels of financial outlay. In this, hotels have therefore had to market their amenities to the local marketplace, a contrary position to their previous 'bed-led' philosophy.

Leisure centres and banqueting facilities have been particularly marketed in this way, thus resulting in the establishment of **multiple markets for these products/services.**

Hotel operators such as Queens Moat Houses rely more than most on the additional revenue of local non-residential markets, and strive to extend these also to accommodation markets rather than relying upon a national network (Hoare et al, 1986).

Substitutability is particularly diverse in this market sector. However, most of all it shows the dichotomy between hotels and other residential establishments, self-catering and so on, in that hotels compete significantly where the others are largely contained within the boundaries of the accommodation markets.

3.4 Towards a Redefinition of The Hotel Industry.

This discussion has underpinned the complexity of reaching a specific and acceptable market definition. Prevalent in this analysis has been the fact that to arbitrarily choose definitions is to encompass more than can be reasonably regarded as substitutable. It is obvious that the scope of the industry has widened with the emergence of new types of establishments and new service/product mixes. The distinction between the functions and activities of individual units has become blurred, particularly with the emergence of the additional demand for food and drink as well as the increase in the number of different purposes for visiting hotels.

Substitutability of supply necessitates that boundaries be set between firms as to the services and products they provide and those products which could easily be produced necessitating only minimal changes in production techniques. Without considerable investment, catering-only establishments could not switch to providing accommodation just as establishments providing catering and accommodation could not easily produce other facilities; such 'switches' will in general be demand related.

The conclusion from the supply substitutability analysis is that hotel consortia must be identified in the context of the industry or market definition of **'Hotels and other residential establishments'**. From the demand perspective there is a distinction between an hotel and other forms of accommodation in the ability to provide facilities for many **different consumer groups** within the accommodation-related sphere, including the sourcing of more local client groups.

Based upon price, location and the requirement for sophisticated management of this multi-market unit a hotel, in certain contexts, is not easily substitutable.

Fundamentally, a hotel 'rents bedrooms and sells meals and drinks...(it) has the facilities to meet three discrete demands from customers who are tired, hungry and thirsty' (Hoare et al, 1986 p 6). A not dissimilar definition of an hotel was established in 1956, encompassed in The Hotel Proprietors Act. This still seems valid in its rules governing the reception of customers in hotels today, the definition being:

'an establishment held out by the proprietor as offering food,drink and if so required sleeping accommodation, without special contract, to any traveller presenting himself who appears able and willing to pay a reasonable sum for the services and facilities provided and who is in a fit state to be received.' (Hotel Proprietors Act,1956.s.1(3))

Other characteristics may be added to this definition in order to demonstrate the scope for definitional interpretation. For example an hotel is identified as a business exhibiting the following characteristics:-

(1) As its main endeavour it offers for rent a minimum of four bedrooms and sells meals and drinks.

The Tourist Boards of England, Scotland and Wales also rely on four bedrooms as being a bench mark for the minimum size of a hotel. Slattery and Olsen (1984) assess the hotel as three organisations within one, providing rooms,food and beverages for sale, as exclusive or inclusive packages to the public. In addition, the hotel's selling commodities have also extended to include conference, convention and exhibition facilities and leisure and recreational facilities, all offered to the public separately or along with some or all of the other three products/services.

(2) It can be licensed to sell alcoholic beverages or it can be unlicensed.

Thus, the hotel may not have a bar. This definition does not include hotels in the tenanted estates of brewery companies. The tenancy agreements which

predominate among brewery companies are tied to wet sales - beverages - and increasingly food and amusement machine sales but invariably exclude the renting of bedrooms. Thus, there are many public houses in the tenanted estates of breweries which are entitled 'Hotel' or 'Inn' but which have not rented bedrooms for decades. Moreover, there are ad hoc hotels within these estates which have a few bedrooms which the tenant sometimes rents out. Their idiosyncrasy of operation precludes any systematic analysis and they are thus excluded as hotels in this context.

(3) It is open to the general public.

In this context, many hostels and private hotels are excluded. As the 1956 Act infers, resident customers must book in advance and the proprietor has the discretion to decide to whom he/she will rent accommodation. Private clubs are also excluded because membership of the club is a necessary pre-requisite to the renting of a bedroom or the purchase of meals or drinks. However, these components of hotel businesses may be perceived as only fundamental. In an up-dated analysis of hotels two further points may be considered which add up to a more dynamic definition of these organisations:

**(a) there are additional products/services which hotels now offer,
and**

**(b) there are further deviations of these products/services as a
consequence of both demand and ownership characteristics.**

Examples of the first point are leisure facilities offered to both residents and non-residents; golf and other major outdoor sporting amenities; conference, meeting and banqueting facilities and business services (such as secretarial assistance, photo-copying and facsimile facilities). These, offered as integral parts of large corporate hotels, have assisted in extending and therefore diversifying the products and services offered by hotels. These are also facilities which allow units to appeal to multi-markets, therefore increasing their selling potential.

By providing some or all of these facilities, hotels have further differentiated themselves from other forms of accommodation serving single markets or offering the basic three products of accommodation, food and drink. Even in providing minimal versions of these additional products/services, hotels may be differentiated and therefore not substitutable so directly with these alternative forms of accommodation.

The second point refers to the development of units termed 'budget hotels', which on first sight offer only minimal hotel services and maybe substitutable with more modest boarding and guest house units. The term 'budget hotel' seems mainly a catch-all term to describe a variety of accommodation types offering rooms at proportionately lower tariff rates than the industry norms and whose facilities and services often differ both in extent and type from those defined as common to traditional full-service hotels. Full-service hotels provide the three basic fundamentals of accommodation, food and drink with responding high levels of service provided by a large brigade of hotel staff. Facilities such as room-service, laundry service and a full compliment of additional hotel amenities are offered (such as a choice of restaurants, bars, lounges and conference facilities). Notably, Quest (1983) claims that 'budget' hotel provision has been around in the UK for many years in the form of guest houses and small independent hotels. However, such units appear not to have the resources or the management expertise and services required to compete with the 'new' chains of 'budget hotels' developed by this different set of owners/operators. For a more in-depth analysis of such hotels see Pannell, Kerr & Forster Associates (1986) and Roper and Carmouche (1989).

3.5 Structure & Performance.

Porter's (1980) Five Competitive Forces model relating to the state of competition in an industry is used to assist in the identification of the underlying competitive characteristics of the hotel industry, given the market/industry boundaries defined in the previous section. The objective at this stage is to establish the nature of the competitive arena within which hotel consortia exist.

Industry Concentration.

Porter (1980) states that:-

'Rivalry among existing competitors takes the familiar form of jockeying for position.... Rivalry occurs because one or more competitors either feels the pressure or sees the opportunity to improve position.' (p 17)

Such activity normally results in retaliative action by other firms within the industry, illustrating the interdependence between firms rather than their isolated position inside the market boundary. The previous discussion concerning substitutability assumed this interdependence. By grouping firms/establishments together it presumed that the behaviour of such members would be related and therefore they would be likely to take each others behaviour into account in deciding upon their own individual policies.

Seller concentration has received more attention from economists and those concerned with public policy towards industry than any other single characteristic of industrial structure.

This attention has been motivated by a conviction that concentration is likely to play a large part in the determination of business behaviour. However, analogous to this, **buyer concentration** is also addressed as an important contributory influence upon business conduct and performance. In this investigation seller concentration refers to both the number and market shares of firms producing goods and services in the hotel market, and includes the size distributions of firms.

Evaluation variables appear to differ among researchers identified in the literature reviewed. For example, sales, net output, employment, assets and so on have been used as indices of firm and industry size. Concentration in this analysis takes the **size index** of industry output calculated as the **number of bedrooms available for let**, the justification being that accommodation facilities equate to the largest part of a hotel in investment and income terms (identified in the preceding section).

Clearly, some reservations must be acknowledged here. For example, this index ignores the effects of food and beverage operations in output terms. However, few reliable industry statistics are available in terms of sales and assets employed, whilst accurate employment numbers remain dubious given the different facets of employment practices such as casual, part-time and seasonal workers.

The following concentration analysis uses Devine et al's (1985) five-firm measure which in addition allows for the remaining firms to be included in terms of their average share of the industry output.

The data below, extracted from Slattery and Roper (1986), reflects the position of the five largest hotel companies in 1986 and the remaining number of total firms (hotel companies, consortia and independent hotels) identified by these authors, from an amalgamation of earlier industry studies. Table 3.13 reflects the market share of these largest firms and shows the relatively low level of

market share held by the remaining 15,991 in the industry. The key numbers represent the following:-

Leading Firms in 1986:

1. Trusthouse Forte - 21,953 rooms
2. Ladbroke Hotels - 6,346 rooms
3. Mount Charlotte Hotels - 6,011 rooms
4. Queens Moat House Hotels - 5,953 rooms
5. Crest Hotels - 5,258 rooms

Remaining Firms:

15, 991 firms - 452,820 rooms

Table 3.13. 5-Firm Concentration Ratio: Summer 1986.

Leading Firms (1) Share of Industry Output (2)					5 Firm Concentration Ratio	Number of Firms	Share per Firm
<u>%</u>					<u>%</u>		<u>%</u>
Firms							
1	2	3	4	5			
4.13	1.27	1.21	1.20	1.06	8.86	15,991	0.0035

KEY

(1) 'Firm' = both independently owned and managed firms which usually have only one establishment and those firms that have multiple establishments and public companies owning hotels.

(2) 'Output' = hotel bedrooms.

The **first ratio** indicates that:-

(1) There is little concentration in the industry, less than nine per cent of market share is controlled by the top five firms.

(2) The number one firm, Trusthouse Forte plc, has three times the market share of the other four top firms, and therefore appears to hold some competitive advantage. One can assume from this finding that the remaining four firms take into consideration the behaviour of this company in their rival responses and business conduct.

(3) There are many firms in the industry and this crude calculation of size distribution of the remaining firms shows their extremely minute individual share of the market.

The **second ratio**, carried out using similar statistics from Slattery and Roper (1987), uses the key numbers, as follows:-

Leading Firms in 1987:

1. Trusthouse Forte Hotels - 22, 577 rooms
2. Mount Charlotte Hotels - 8,646 rooms
3. Ladbroke Hotels - 7,972 rooms
4. Crest Hotels - 6,564 rooms
5. Queens Moat House Hotels - 6,156 rooms

Remaining Firms:

15, 991 firms - 446,426 rooms

Table 3.14. 5-Firm Concentration Ratio: Summer 1987.

Leading Firms (1) Share of Industry Output (2)					5 Firm Concentration Ratio	Number of Firms	Share per Firm
<u>%</u>					<u>%</u>		<u>%</u>
Firms							
1	2	3	4	5			
4.56	1.75	1.61	1.33	1.24	10.50	15,991	0.0036

KEY

As Table 3.15.

This table reflects the following changes:-

(1) The industry continues to show little concentration. However, the top firms have increased their market share by nearly two percentage points during this period.

(2) Trusthouse Forte remains the largest company and has increased its share of the market through the acquisition of Anchor Hotels involving the takeover of thirty hotels.

(3) There has also been a movement in positions amongst the other four firms. Mount Charlotte Hotels has moved from third to second place whilst Crest Hotels have changed from fifth to fourth place. Similarly to the organisation above, these increases in market share vis-a-vis competitors has been due to external growth strategies. The former company has acquired two smaller hotel groups over the year period and Crest Hotels has taken advantage of its parent company's acquisition of four Holiday Inn hotels in this country.

(4) The share of the market controlled by the remaining thousands of firms has almost been maintained.

These results indicate the following features in relation to the five leading firms and the remaining firms in the industry:-

(a) The relative scale of the leading firm in relation to both the other four companies and the entire industry; and to a lesser extent the size of the five top firms in terms of the rest of the market. Further findings indicate that the next two largest firms account for only 0.8 and 0.66 percent, respectively; and

(b) The predominance, in terms of total numbers, of the small firm within the industry sector.

However, although the leading firm holds a market share almost double that of the other four firms in both years of analysis (which additionally constitutes a substantially larger share of industry output in relation to the remaining firms) these figures are still only relative. Trusthouse Forte, for example, still held less than five per cent of industry output in 1987. Table 3.15 below shows the figures relating to the number of firms in the hotel industry as identified within

their SIC system. This reiterates the problems identified in the preceding section in that the total number of hotels given in 1986 falls short of the 18,000 estimated previously.

Table 3.15. Number of Firms by Size of Turnover.

<u>Turnover Size</u> <u>(£'000s)</u>	<u>1986</u>		<u>1987</u>	
	<u>Number of</u> <u>Firms</u>	<u>%</u>	<u>Number of</u> <u>Firms</u>	<u>%</u>
20-50	4,848	37.7	4,690	35.7
51-100	2,980	23.1	2,988	22.7
101-250	2,887	22.4	3,054	23.2
251-500	1,238	9.6	1,359	10.3
501-1,000	554	4.3	618	4.7
1,001-5,000	291	2.3	362	2.8
5,000 & Over	74	0.6	76	0.6
Total	12,872	100.0	13,147	100.0

Source: Business Monitor PA 1003.

In both years of analysis less than three per cent of businesses within the sector had achieved more than £1 million in turnover. Although turnover rather than profitability figures are given, they do nonetheless show the economic domination of small businesses in the industry.

Table 3.16 shows that, ninety per cent of all hotels are of forty-nine bedrooms or less. A further examination shows that the majority of hotels in this size range are 'unaffiliated'. An unaffiliated hotel may be defined as:-

'A business containing no more than one hotel owned and managed by an individual or group of individuals without any external agencies being involved on a continuing basis with any of the management functions of the business.' (Slattery and Roper, 1986)

The introduction of affiliated hotels, as just one category of businesses in the industry, reflects a further feature of the hotel industry that has until now not been identified nor empirically explored.

Table 3.16. UK Hotel Industry - Size Distribution of Hotels in 1986.

<u>Number of Rooms</u>	<u>Total Hotels</u>	<u>Unaffiliated Hotels</u>	<u>Corporate Hotels</u>
1000 +	1	0	1
500-999	20	0	20
200-499	169	45	124
100-199	460	133	327
50-99	1,200	662	538
25-49	2,900	2,334	566
10-24	10,500	9,906	594
<10	2,750	2,548	202
Total	18,000	15,628	2,372

Source: Hotel and Catering Research Centre (HCRC), 1987.

It is the case that firms in the industry may be distinguished as falling into two groupings:-

1. Hotel Groups, comprising -

- (a) **Hotel Companies; and**
- (b) **Hotel Consortia;**

or

2. Unaffiliated or Independent Hotels.

Whilst unaffiliated hotels are defined as single unit firms, hotel groups are interpreted as 'organisations responsible on a continuing basis for at least one management function in more than one hotel' (Slattery and Roper, 1986).

A further distinction can be made between unaffiliated and corporate hotels whereby the latter are incorporated into a hotel group by virtue of the fact that the group is contracted to be responsible for at least one management function in these hotels.

The differences in the ownership characteristics of firms relate to the relative concentration of firms in the industry. The remaining organisations in the industry, aside from the five leading firms, may be further broken down in terms of the groupings above.

By doing this, one can detect a contrast in terms of the share of the market these different types of businesses hold. Table 3.17 identifies the prevailing 205 hotel groups and 15,628 **unaffiliated or independent firms**.

Table 3.17. Remaining Firms in 1987.

	<u>Number of Firms</u>	<u>Number of Rooms</u>	<u>Average Rooms per Firm</u>	<u>Market Share (%)</u>
Hotel Groups	205	142,268	693.9	0.14027
Independent Hotels	15,628	333,849	21.4	0.00432

Source: Adapted from HCRC, 1987.

These figures indicate that hotel groups are responsible for a larger amount of industry output per organisation (694 rooms per firm compared to twenty-one rooms for unaffiliated hotels). In terms of market share however these averages still equate to relatively small levels.

Further differentiation can also be shown between additional ownership attributes of these firms in that they are either publicly or privately owned. Rather than go further in such an analysis, given the small percentages concerned, it can be seen that the leading firms are all publicly-held hotel companies.

The above industry sub-groupings provide for a more detailed investigation of the structure of this market sector, and enable a more meaningful analysis of the structure-performance debate.

The Hotel Industry and Economic Performance

Due to the smaller size of the majority of firms (as discussed previously), data collection and analysis related to the financial performance of all businesses are difficult to establish. Statistics do exist, however, related to the performance of publicly-held organisations and those private businesses which submit up-to-date published accounts to Companies House. Using statistics compiled from the Business Ratio Report (1988), Table 3.18 shows the profitability of the leading five firms in the hotel industry, during the two year period of investigation. Profit potential has been measured in terms of long run return on invested capital, which is a measure of the ultimate profit potential in an industry, suggested by Porter (1980).

In addition, Table 3.18 also provides some evidence of average performance indicators from amongst samples of seventy-six and seventy-seven organisations, respectively. The leading firms may be compared against these averages in order to judge performance levels.

Table 3.18. Profitability of the Five Leading Firms.

<u>Year Ended 1986</u>			
<u>Ranking of leading Firms</u>	<u>Profit Before Tax (£'000s)</u>	<u>Total Assets (£'000s)</u>	<u>Return on Investment (%)</u>
1. Trusthouse Forte Hotels	£85,528	£714,819	12.0
2. Ladbroke Hotels	£9,685	£127,804	7.6
3. Mount Charlotte Investments	£16,059	£194,095	10.5
4. Queens Moat Houses plc.	£10,508	£200,220	5.2
5. Bass Holidays & Hotels UK	-£2,326	£57,508	-4.0
Totals and Averages	£127,000 (*)	£1,547,000 (**)	6.0
<u>Year Ended 1987</u>			
<u>Ranking of leading Firms</u>	<u>Profit Before Tax (£'000s)</u>	<u>Total Assets (£'000s)</u>	<u>Return on Investment (%)</u>
1. Trusthouse Forte Hotels	£85,525	£1,170,122	7.3
2. Ladbroke Hotels	£18,641	£194,095	9.6
3. Mount Charlotte Investments	£13,270	£163,973	8.1
4. Bass Hotels & Holidays UK	£14,960	£216,855	6.9
5. Queens Moat Houses plc.	£14,916	£398,645	3.7
Totals and Averages	£121,000 (*)	£1,990,000 (**)	8.3

Source: Business Ratio Report, 1988.

(*) = average performance indicators from amongst sample of seventy-six companies.

(**) = average performance indicators from amongst sample of seventy-seven companies.

These findings may be interpreted at two levels. Firstly, the total and average figures allow an examination of industry performance. Secondly, the five leading firms performance may be examined and related to these industry averages.

(1) Industry Performance.

The averages from both years show a relatively low return on investment, being 6.0 and 8.3 percent, respectively. However, the level of profitability increased by a third in the second year of analysis, reflective of improved trading conditions in 1987. This was as it happened a record year for foreign visitors to this country.

A number of points may be made concerning the interpretation of these findings which are related to the operating characteristics of the hotel industry, given the reservations relating to the quality of data:-

(i) The investment in hotels is primarily one involving land and buildings together with investment on interior facilities. Fixed assets amongst firms in the industry typically form about eighty per cent of total assets - much higher than most businesses. Pannell, Kerr and Forster (1988) state that due to the capital intensity of hotels, funding institutions treat them primarily as property investments.

Variable (or current) assets generally form a low percentage of the total and have a high rate of turnover. Consequently, measures of return on capital and assets are low.

(ii) The costs of operating hotels have clear implications for their profitability. A high part of accommodation operations are fixed or semi-fixed costs, a considerable amount of these are incurred irrespective of the volume of trade (measured in terms of room and bed occupancy).

However, volume levels are not often at their maximum. Figures from the English Tourist Board (1987 and 1988) indicate that the average room occupancy of all English hotels was sixty-three per cent at weekday and fifty-two per cent at weekend periods. These statistics demonstrate a substantial under utilisation of hotels.

The points concerning the capital intensity of the industry and the emphasis placed upon volume of trade are clearly important characteristics which significantly impact upon the potential profit within this industry. Supply is fixed in its location and therefore there are problems in filling certain units consistently. On the other hand, supply cannot be stored in anticipation of likely over-demand. Hotel groups do however have the ability to spread their risk by offering hotels in a wide range of locations and through referral, can take advantage of favourable demand conditions.

(2) Five Firm Performance.

The top three firms, achieved above average returns in terms of long term investment in the first year of analysis. However, the results achieved by Queens Moat Houses and Bass Hotels and Holidays reflect a return on investment below the average of six per cent. The former continues a policy of annual revaluation of its operating portfolio which may explain under-performance in the use of its assets.

The findings show that despite an increase in market share the top firm achieved below average returns, and inferior performance against two of its most immediate competitors. Mount Charlotte Investments, in recording similar total asset figures achieved a ROI which almost reached double figures via a fourteen per cent increase in profit before tax and interest.

The ability of the leading firms to achieve above average returns varies amongst the five organisations. Clearly, the leading organisation, with at least twice the market share of any one of the other firms does not perform any better based on the return-on-investment indicator. On balance it would seem that the relatively large size of these concentrated competitors, compared with the remaining firms in the industry, does not correlate with increased profitability. Caution must obviously be exercised in that the 'industry average' has been based on seventy-seven firms in comparison to nearly

16,000 firms which have been previously identified as comprising the industry. It may be assumed that many smaller units in the industry are achieving substantially lower returns in relation to their asset bases, however, the evidence is patchy and inconclusive.

It has been difficult to assess the change in seller concentration, given the unavailability of relevant data prior to this analysis. It can be concluded from analyses carried out by hotel industrialists such as Medlik (1980), Rogers and Phipps (1974) and Pickering et al (1971) however that the situation has not changed significantly. The only exception is the growth of the five largest firms which have evolved just over the last two decades (excepting Trusthouse Forte which developed out of a merger between Trust Houses and Fortes).

In 1976 the largest five firms accounted for 46,300 bedrooms (Medlik, 1976) compared to 51,915 bedrooms in the 1987 calculation, which signifies a gain of over ten per cent. Assuming the same number of total firms in the sector this earlier figure would have represented a concentration ratio of 9.3 per cent, and thus only a slight reduction in the 1987 figure.

However, this is a fairly crude calculation, and it is likely that there were more firms in the industry in the earlier period, reducing the concentration ratio. This point reiterates the problem of availability of good data noted earlier. Table 3.19 displays additional financial data in relation to the five leading firms.

Table 3.19. Turnover of the Five Leading Firms.

	<u>1986</u>	<u>1987</u>
<u>Leading Firms</u>	<u>Turnover</u> <u>(£'000s)</u>	<u>Turnover</u> <u>(£'000s)</u>
Trusthouse Forte Hotels	£464,579	£618,228
Ladbroke Hotels	£35,478	£38,541
Mount Charlotte Investments	£60,238	£64,913
Queens Moat Houses plc.	£72,050	£100,929
Bass Holidays & Hotels UK	£31,847	£34,950
Totals	£858,000	£892,000

Source: Business Ratio Report, 1988.

The total turnover of all seventy-seven firms in the sample equated to £858 and £892 million, respectively (Business Ratio Report, 1988). Trusthouse Forte accounted for fifty-four per cent and sixty-nine per cent of these total figures, respectively, establishing its position as a dominant force in the industry.

It must be repeated however that these figures relate only to the concentrated end of the industry (and do not take into account the 'mix' of business across the sample firms) but in financial terms, these represent the largest, multi-unit firms.

The turnover figures may be viewed as additional evidence in particular, of the size distributions of the five leading firms. Compared to Trusthouse Forte, the remaining four firms represent substantially smaller turnover share figures in 1987. Whilst Queens Moat Houses has a 11.3 per cent share, Bass Hotels and Holidays represent only 3.9 per cent. The findings related to market share in

terms of hotel bedrooms are now further exemplified by these later results. The five leading firms in terms of bedrooms appear to have achieved the majority of sales turnover in these two years amongst a total of seventy-seven firms. Meanwhile, Trusthouse Forte appears to hold a dominant position in terms of this indicative industry sample.

These findings must be viewed with some caution, given the acknowledged limitations of industry representation. The possible inclusion of units outside the UK and other establishments controlled by the owning company's organisations that cannot be considered as hotel businesses, could clearly distort the above assumptions. Crest and Toby Hotels, for instance are included in a larger profit centre namely Bass Hotels and Holidays, which includes other leisure activities operated by this brewery conglomerate.

Impact Upon Levels of Concentration.

Industry/Market Stability - The hotel industry is characterised by a constantly changing market which results in firms placing less importance upon the recognition of competitors' behaviour and more upon the recognition of likely future events in the industry's marketplace.

Jones, Lang and Wootton (1986) describe how the hotel industry is subjected to both volatile and cyclical forces. There is a striking correlation between the level of sterling and occupancy rates (the bench mark of profitability), particularly in relation to the London hotel market, highlighting this market's dependency upon the American tourist and business trade. There are however other factors at play:-

'The exchange rate is but one factor that affects occupancy and hence profitability. The general domestic economic climate, inflation, and the market can have both positive and negative effects.' (Jones, Lang and Wootton, 1986 p 2)

On a more detailed level Rogers and O'Connor (1984) have established several determinants which illustrate the many factors that directly or indirectly affect potential demand for hotels across different markets. These include:-

Holidays

- real personal disposable income
- the age and family structure of the population
- the length and flexibility of holiday entitlements
- consumer attitudes, life styles and expectations
- available information, both provided by the industry, tourist organisations and external sources of information
- relative price levels domestic : overseas
- the cost and pattern of travel and transport
- government policy

Business

- business activity and profit levels
- the occupational structure of employment

Conference

- information exchange and communication requirements
- relative price levels hotels : other providers

(Rogers and O'Connor, 1984 p 4 & 5)

Similarly, these markets are seasonal in nature although certain demand sectors such as holiday tourists are likely to be more seasonally sensitive than others. Initiatives such as short breaks have served to reduce the different demand fluctuations experienced by certain hotels within the seven-day week. Pickering et al (1971) have shown that smaller firms may be more able to cope with such environmental uncertainty. The fixed supply aspect of hotel units mean that in many locations, only limited capacity is necessary to meet demand.

The increase in providing additional facilities that allow hotels to target multiple accommodation markets as well as local, non-residential demand sources, appears to be a strategic manoeuvre to decrease the dependence upon more primary areas of demand. Earlier analysis indicated the increasing demand in the industry from certain sectors such as overseas tourists, short break and business visitors and the decline in other areas such as the long holiday market. This can be viewed as a mechanism to increase the spread of risk inherent in the volatile and cyclical demand characteristics.

Seller Cross-Market Activity - The degree to which sellers operate in more than one market may possibly be a determinant of the low concentration discussed above. Public companies and their subsidiaries accounted for sixty-eight hotel groups in 1987 (Slattery and Roper, 1988), but very few of these are 'pure' hotel companies and many tend to be conglomerates with a variety of other business interests. Examples include Allied-Lyons, Bass, Grand Metropolitan, Scottish and Newcastle Breweries, Lonrho, Ladbroke, Stakis and Trafalgar House. The groups which are primarily brewing concerns appear to operate hotel chains as a form of forward vertical integration.

Other examples of such **integrated firms** are hotel subsidiaries which are part of airline and travel conglomerates such as Air Meridian, SAS and British Caledonian. Such organisations were involved initially in hotel keeping in order to 'assure supply' of hotel rooms to their travelling customers, particularly in lesser developed countries. They have not however made any significant impact in the UK in terms of their shares of industry output.

Pickering (1974) implied that vertical integration has had a highly important influence on the structure of a number of major industries. However, in the context of the hotel industry the influence of integration upon the resulting structure of the industry is perhaps more debatable as exemplified by the following:-

1. Although sixty-nine public companies were involved in the industry in 1987, their ownership/operation of total hotel bedrooms equates to just twenty-seven per cent of the total output. The majority of market share still remains with private groups or independent hotels.

2. Those conglomerates involved in the industry tend to operate hotel subsidiaries as ancillary. It may be argued, for instance, that although certain brewing groups see advantages of integration through the forward sale of their drinks products to hotel subsidiary companies, this sector of the market does not constitute their main source of demand, whilst hotels units themselves require many products for the operation of their business, beverage goods being just one part of this.

This latter argument is expanded later in relation to the power of suppliers to the industry. However, it illustrates that there are not the usual production/distribution advantages related to the integration of processes for conglomerates to be larger players in the industry. This point could also be a contributory factor to the relatively low concentration within the industry.

Conversely, it is interesting to note that since 1987, two organisations that operated hotel groups amongst the top five firms in the industry have carried out major acquisitions in order to gain a larger share of the global hotel industry, changing the ancillary part that their hotel divisions previously played within the conglomerate whole. The Ladbroke Group's takeover of Hilton International and Bass plc's acquisition of the exclusive rights to the name and trademarks of Holiday Inns, have made these UK corporations leading international hotel players. These strategic changes have undoubtedly influenced the overall competitive behaviour of these organisations in relation to their UK portfolios of hotels. As Caves (1976) has suggested it is difficult to establish the impact of such international linkages in relation to an organisation's position within the indigenous market. Ultimately, these acquisitions have still altered their market shares in this country only marginally.

Pickering et al (1971) identified that the small, independent unit predominated in the early 1970's. The findings related to the industry in 1986 and 1987 show that little has greatly altered in terms of the dominance of these firms.

Market structure is concerned with industrial independence also, which includes the relationship not only between individual sellers, but also buyers (as well as suppliers). Buyer concentration is therefore analogous to a study of concentration relations between sellers.

Threat of Entry.

Porter (1980) states that 'new entrants bring new capacity, the desire to gain market share, and often substantial resources' (p 7).

Entry into an industry relates to the introduction by a firm new to the industry, of a product or service that is a perfect substitute, in the minds of buyers, for the product or service of firms already established in the industry (Needham, 1978). The threat of new entry depends upon the **barriers to entry** inherent in the structural characteristics of the industry and is dependent upon these barriers and the reaction of existing competitors to the new production/service facility. The term "entry barriers" therefore refers to obstacles preventing such new firms from engaging in the production of a particular category of output.

Previous discussions in this study have already referred to the interaction among firms incumbent in the hotel industry. Another type of important interrelationship is that between incumbent firms and potential entrants.

This emphasises and focuses on the threat of potential competition from possible new sellers and the effect this may have on the behaviour of resident firms, whether these become actual competitors or not.

Bain (1968) distinguishes between markets to which entry is blockaded ie., those in which firms pursue profit maximisation without entry being induced, and markets with only moderate entry barriers in which firms might be tempted to lower prices to forestall entry.

The basis for this distinction lies not in the analysis of the barrier for its own sake, but in its implication for the behaviour of established sellers.

Barriers to Entry and Exit.

In most of the investigations addressed concerning the extent of barriers to entry (this study being no exception) justification lies in the hypothesised effects on behaviour and not in any concern for descriptive accuracy. Below is an analysis of the potential sources of barriers to entry in the hotel industry.

Capital intensity can be both a barrier to entry as well as to exit. The previous analysis showed that hotel units are characterised by a high fixed cost content and therefore much of initial entry cost is tied up in the purchase of the property base of the business.

However, the general opinion, postulated by Pickering et al (1971), is that entry and exit are relatively easy in the hotel industry and that there appears to be a ready market for small hotels.

Two points can be made which somewhat extend these earlier findings. Firstly, the authors assessed only the entry of small firms into the industry and thus one may assume that these entrants would have greater impact upon those organisations forming the focus of their enquiry ie., incumbent small firms in the hotel and catering industry.

Secondly, by concentrating upon the ready market of small hotels it could be argued that this was not new entry at all, particularly when related to

conventional industrial economic theory. Needham (1978) stresses that entry is not accomplished if a firm previously outside an industry simply acquires the plant of an already established firm operates it, that is, the mere change of ownership of an existing plant capacity does not constitute entry.

Porter (1980) offers an interesting alternative to this debate, in stressing that acquisition into an industry with intent to build market position should be viewed as entry though even no entirely new entry is created. The focus is upon **substantial entry** by a new firm, though even this may be by means of the acquisition of existing supply units.

These two viewpoints in the main converge for they stress that aspects such as the extent, speed and surprise of entry must be analyzed in order to establish whether the capital intensity of an industry does in fact create barriers to entry for new firms.

A survey in 1985 showed that 2,000 hotels were sold through estate agent intermediaries, many being exclusive to the sale of hotel and catering businesses (Birch, 1985). Many were quoted as smaller properties which were sold to individual proprietors rather than to hotel groups. Selling prices of the hotels tended to start at £75,000 and many included the major rudiments with which to commence business (fixtures and fittings, furniture and so on). The change in ownership recognised by Pickering et al appears to continue in the mid-1980's, although average costs of acquisition have increased, Christie and Co (1988) estimated that the average cost of buying a hotel in 1987 amounted to £248,874. However, it is questionable whether through acquiring such small scale units new proprietors are primarily intending to build a substantial market position.

In comparison, Jones, Lang and Wootton's (1986) occasional paper examined the Central London luxury hotel market up to the end of 1985. Their findings detailed how capital values in this market rose from £10,000 per bedroom in

1970 to £160,000 per bedroom in 1985, an annual compound rate of over 20 per cent. Investors (potential entrants) are required to commit very large sums of capital and may have to trade on a loss until the unit reaches its full operating potential (two-three years) assuming that the property was not previously operating as the intended business.

Although luxury hotels in London are not wholly representative of the UK hotel industry as a whole, the findings from the above survey show the differing capital outlay that may be required.

Table 3.20 illustrates some particular acquisitions which give some indication of the level of capital outlay required for entry although some allowance must be made for the fact that all the acquirers were existing members of the industry.

Table 3.20. Major Ownership Changes in 1987/1988.

<u>Acquirer</u>	<u>Company</u>	<u>Purchase Price</u>	<u>Number of Hotels</u>
Mount Charlotte Investments plc	Merit Hotels	£99m	3
	London Park Hotels	£37m	5
	Stonefield Castle	£18.65m	10
Friendly Hotels	Baron Hotels	£25m	10
Resort Hotels plc	Fine Inns	£5.8m	4

Source: Adapted from Roper, A (1988) The British Hotel Industry. Jordan & Sons Ltd. p 17.

It is clear that there are significant differences in costs of entry depending upon location, size and market level of the target unit/group of units.

The degree of entry, as related to the impact that entry will have upon existing competitors, may also depend upon new entrants desire to gain market share over and above that of existing firms.

It has been suggested that the UK hotel industry 'is increasingly attracting the interest of several major international hotel groups' (Business Ratio Report, 1988) as exemplified by the entry of Ramada Hotels and Park Lane Hotels International. In terms of resources, these groups have the management expertise and international distribution networks from which new acquisitions can automatically benefit and thus increase their ability to compete with existing industry members. However, it should be noted that although the intention might be to be substantial players in the market, the entry is unlikely to allow them to gain considerable market share, as in practice they have only taken over a relatively small share of the total market in the UK.

In summary, it is relatively easy to enter the industry through acquisition of a very small, down-mid market unit in a provincial location and retaliation by competitors (if any) will only have minimal impact. Obviously, capital intensity of the industry becomes more of a barrier in the higher market accolades eg., larger, city-centre hotels. However, incentives have been available to assist with entry into the industry, spear-headed by government initiatives¹.

International hotel groups may perceive entry as less of a threat given their considerable financial and marketing resources.

¹ There have been incentives to assist in the entry of new competitors to the industry. The Hotel Development Incentive Scheme introduced a mandatory system of grants and loans for up to 50 per cent of building costs during the period 1970-1973. More recently the introduction of Business Expansion Schemes, have allowed small private units the access to development finance. However, international conglomerates have also been able to secure funding through this means, examples include IBIS Hotels, a subsidiary of the Accor SA combine.

The extent of entry threat (and entry barriers) vary in relation to these aspects and, depending upon the point of entry, incumbent rivals will have differing competitive motivations and abilities to retaliate.

The extent of industry demand in different market segments is also an entry determinant. Entry is easier if industry demand in certain parts of the market is substantial whereby new entrants may not significantly be encroaching on the markets targeted by existing firms. Demand obviously varies in different (recognisable) segments of the hotel industry according to several factors. For example, models of industry/market segmentation have been based on socio-economic groupings where matching to distinct classification of hotels is clearly discernible.

The assumptions that have followed from these models are that high socio-economic groups are the target market of five-star, middle socio-economic groups of three star and lower socio-economic groups of two-star hotels. A hierarchy of socio-economics groups has evolved to match the types of hotel provision offered. An example of such a model is featured in Table 3.21 where the lower star categories of hotels show the greatest potential in terms of targeted population numbers, without taking into account existing supply. The majority of new entrants tend to penetrate the one and two star hotels which indicates the lack of significant barriers to entry in terms of customer demand.

Table 3.21. Market Segmentation in Hotels.

<u>Hotel Type</u>	<u>Social & Marketing Categories</u>	<u>Percentage of Population (%)</u>
5 Star Hotels	High Socio-Economic Groups (A's)	2.8
3 & 4 Star Hotels	Middle Socio-Economic Groups (B's)	10.0
1 & 2 Star Hotels	Low Socio-Economic Groups (C1 & C2)	54.9

Source: Mazurkiewicz, M, (1986) Hotels as Sociocultural Institutions.
M.phil Thesis in progress, University of Huddersfield.

However, socio-economic population figures are only part of the total picture since they do not indicate the existing or potential hotel usage in each grouping. For example in spite of the increase in demand from overseas, business and short break visitors, noted earlier, these markets are more difficult to penetrate for new entrants because they are strongly targeted by major hotel groups. These organisations are able to wield bargaining power in attracting these lucrative demand segments through the use of increased marketing resources.

Product differentiation - differentiation of the offering is becoming more important due to the increased targeting of the various market segments. Corporate firms rather than concentrating on certain segments appear to be attempting to reach all segments, thus spreading their risk in order to achieve maximum volume and rate sales. Major group hotels have been shown to pursue multiple rather than single markets (Hoare et al, 1986).

One consequence of this strategy has been the development by certain companies of **hotel branding**, in order to differentiate their products/services from those of competitor's and therefore encourage customer identification and loyalty across the range of market segments. Acquisitions by Bass plc and Ladbroke plc indicate further the increasing importance of the development of brands. Their take-overs of Holiday Inns International and Hilton International Hotels, respectively, have established each company in the forefront of brand advancement on a global scale.

As Hofer and Schendel (1978) note, product differentiation is a tactic aimed at existing competitors, rather than at unknown potential entrants. Differentiation within the corporate sector will create a substantial barrier to entry due to the need for new entrants to spend heavily in order to switch existing customer loyalties. Marketing is also commanding an increasing role in other aspects of the business. A survey of hotel guests predicted that:-

‘the search for product identity and markets is taking the hotel industry into new areas of management and development. It is in these new areas that the principles of marketing, above all others, have a vital role to play’. (Tarrant, 1990, p 2)

Differentiation is also likely to become more important amongst existing corporate competitors as increasingly they are having to compete directly with one another in the same locations. Tarrant (1990) stresses that this is a notable change for an industry that for long relied on the location of individual hotels to limit the threat of competition.

The evolution of the budget hotel sector in the UK has brought additional scope for the establishment of marketing barriers. It has been suggested that these new chains are ‘expanding to achieve a national coverage of a well-known brand name, supported by national and international marketing programmes’ (Roper, 1988 p 34). The current low obstacles to entry have allowed groups such as Accor SA to develop quickly in this country. In

contrast this activity is beginning to increase entry barriers within the lower market levels of industry.

Additional obstructions appear to be in the embryonic stages such as access to **substantial and targeted channels of distribution**. The growing international nature of the hotel industry means that access to central reservation and global distribution systems is increasingly important. This requires the ability to offer a portfolio of hotels while aspects such as branding ensure additional power in terms of customer recognition.

The access to these large systems and the ability to gain additional bargaining power, as a result, will lead to greater competitiveness as their relevance in purchasing terms increases.

It is likely that international firms entering the UK market will possess the above advantages but, as stressed earlier, international hotel entrants tend to not go for substantial entry into the industry as a whole.

In the future it may be the case that the development of such barriers also serve to alter other aspects of market structure, such as the power of certain buyer groups.

Barriers to exit - Porter (1980) contends that economic, strategic and emotional factors keep firms competing in business even though they may be earning low or even negative returns on investment.

Pickering et al (1971) were quoted earlier as suggesting that exit was easy from the industry, based upon the ready market for hotels from new entrants and the fact that many hotels could be converted back to private residences. It is clear that the authors included guest and boarding houses in their survey of small firms in the industry and that the latter point relates to these units.

However, the hotel industry itself maybe segmented into different types of firms. Rogers and O'Connor (1984) suggest that operators may be sub-divided into two distinct cultures; those setting commercial targets with others choosing hotel keeping as a 'way of life'. Pickering et al found in their investigation that the majority of firms were not in fact achieving break-even point (established as fifty per cent occupancy by these authors) in the operation of their hotel units, they were however continuing in business. They noted that:

'On this basis it seems many small hotels may not be covering their economic costs but continue because the owner-manager receives considerable non-monetary advantages.' (Pickering et al, 1971 p 105)

In line with Rogers and O'Connor's suggestion, these operators appear to have run their establishments as 'a way of life'. Family members were often found to be employed whilst the hotel itself doubled also as a family residence.

In addition, identification with hotel keeping has also been cited as an initial motivation for entering the industry. Porter (1980) identifies such factors as being emotional barriers and that they could lead to management being unwilling to make economically justified exit decisions, he states that

'owner-operators of small manufacturing or service firms....may be satisfied with a subnormal rate of return on their invested capital to maintain the independence of self-ownership, whereas such returns are unacceptable and may appear irrational to a large publicly held competitor'. (p 19).

However, this notion related to the hotel industry while requiring further clarification is beyond the scope of this investigation. Pickering et al (1971) assumed that exit from the industry was through the reverting of the operating unit back to a solely family residence or through selling on the property. The increase in the initial cost of hotel properties may now make the uneconomic operation of hotels less feasible and this among other reasons, may have

accounted for the high level of bankruptcies in the sector. Figures published by the Department of Trade and Industry in its Bankruptcy General Annual Report for the year ended 1984 show that bankruptcies in the 'hotel and catering' sector took third place in the total number of failures appearing after construction-related firms and retailing concerns. The number of failures was 597 cases with a total deficiency of about £ 17-18 million, averaging approximately £30,000 a case. Bankruptcy relates to individuals rather than to actual business concerns thus, it can be assumed that these related to independent units failing.

Litteljohn (1986) has cited many of these as being economically marginal units which have found changes in the economic environment (including competition) particularly difficult to cope with.

There are two areas which are likely to impact upon the continuing numbers of small firms in the industry:-

1. The segment which, until recently, has been comprised of independent operators has been the 'country-house' hotel sector, but groups such as Thistle Hotels are beginning to infiltrate this, bringing with them marketing advantages and readily available cash injections; and
2. Budget Hotels are likely to impact upon independent firms in the industry, as they operate at the lower reaches of the hotel market. However, they are potentially strong competitors being able to take advantage of economies of scale in construction, operation and marketing (See Roper and Carmouche, 1989, for a fuller account of these operations).

The majority of hotel companies set 'commercial targets'. The largest firms are publicly-held, and the size of many of their owning organisations ensures financial stability. However, it could be argued that some organisations remain in an industry characterised by low returns on investment for other reasons. For example, Porter (1980) suggests that strategic interrelationships between

business units in the owning company could mean the continuance of operation in a sector that is not sufficiently high in performance. Originally brewing groups entered the less lucrative hotel industry as a form of forward vertical integration as a way of assuring the supply of their products.

However, legislative changes and the increased commitment to achieve higher returns from their hotel companies has meant that this argument no longer applies. Financial targets are now as stringent amongst hotel subsidiaries as within the brewing divisions, this ties them more tightly to the owning organisation and exit may therefore be less simple than in the past. The rising capital intensity of the industry amongst the corporate sector also leads to difficulties in the disposal of assets.

Buyer Concentration.

Buyer concentration refers to the number and size distribution of firms purchasing a particular type of product, service or material. In principle, absolute and relative measures of buyer concentration may be constructed as for seller concentration (Devine et al, 1985). Recently, attempts have been made to estimate buyer concentration ratios by using input-output statistics to identify flows of intermediate products from each seller industry to each of its producing industries.

Primarily, an input-output table describes inter-relationships within an economy in terms of the values or volume of transactions that take place between individual industries. It summarises the industrial origin of all the inputs and the destination of all the outputs of all industries within an economy.

In analyzing the hotel industry, such a table can be used to identify the value of purchasers from the industry as a buyer of other industry's products, services and materials, as follows:-

<u>Input From</u>	<u>Output to Hotel Industry (millions)</u>
Agriculture	£530
Manufacture	£557
Services (& other goods)	£761
Gross Input	£1,848

These figures have been calculated from the Trends and Forecasts publication for the year of 1985, and although there are questions over the accuracy of such figures they give some indication of the importance of this industry as a buyer of goods and services from other industries.

At the opposite end of the spectrum, although the hotel industry may be seen as reliant on all three sectors, its outputs are less dependent upon other industries. The hotel sector is therefore a 'key' industry not in the sense of an important supplier to many other industries but as an important buyer from a large number of supplying industries.

It may be presumed that suppliers to the hotel sector have some degree of buying power given that there has been little backward integration or threat of backward integration. The hotel industry as an important buyer is able to gain few advantages of size in dealing with suppliers, because taken as small units, each firm will only be a small buyer of a wide variety of suppliers goods and services.

In many cases, particularly as applied to the independent sector, the industry is not a particularly important customer of many of the supplier sectors (agriculture, manufacturing and so on), the latter's fortunes not being closely tied to the industry. Thus, in most cases, it is likely that major suppliers are able to exert pressure over the industry buyers.

Porter (1980) suggests that the conditions determining supplier's control are not only subject to change but are also often out of the firms' control. For example, some organisations such as the major brewers have been able to improve their position by their ability to backward integrate.

This eventually may become more strategically important through either an increase in their market shares or further standardisation of the products/services required for their operations. For example with Holiday Inns, now part of Bass plc, it is evident that through heavy branding and a requirement for standardisation in purchasing strategy, this company will begin to reap the benefits of buying power against certain supplying groups.

Such reasoning may explain some aspects of the low level of seller concentration, involvement from outside industries (there has been little forward integration from suppliers, besides the Brewers) and even backward integration from hoteliers who would need to manufacture a wide range of goods to be efficiently cost saving.

The buyer analysis has largely focused upon the hotel industry as a buyer of other industries' products and services. An investigation is also required into the industry as a **seller of products/services and it's bargaining power with buyer groups (hotel customers).**

The preceding section identified the different buyer groups purchasing hotel goods and services. Porter states that 'buyers compete with the industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other - all at the expense of industry profitability' (Porter, 1980), the following analysis assesses the potential behaviour of these different buying groups and the 'power' that they may be able to exercise over industry suppliers.

The importance of **business demand** has been recognised previously, and some of the characteristics of this market have been assessed. In terms of this type of demand the industry sells not only its products to end-users but also indirectly to other manufacturing/service industries. Business travellers purchase large volumes of hotel accommodation and related services from hotels and groups of hotels. This raises the importance of this buyer's business in terms of the organisations results in occupancy terms. Large corporations and business houses are able to purchase wholesale products and services from the industry. They can thus negotiate added-value products or discounted prices as a guarantee of a large number of room nights and/or conference or convention facilities. In fact, in order to reap the returns of upgraded and increased facilities, executed primarily for these customers, hotels themselves also promote such added-value products and discounts to this group in return for the loyalty of these customers.

The increase in rationalisation and merger of those corporations buying hotel supply has served to increase their position vis-a-vis hotel units in some instances. Whilst the expansion of travel agent implants, who represent even larger numbers of industrial/commercial clients are able to wield considerable power.

Airline groups can exert buying pressure, due to the volume of business that they can generate. Rogers and O'Connor (1984) quote an example of a hotel group which was found to be offering sixty per cent discount to airline business for its London properties. The dependence upon such sources of demand varies in relation to the sales mix of units or groups.

Hotel groups are also developing their own central reservation systems which allow them to counter the power of such buyer groups as well as the opportunity to directly influence consumers purchasing decisions. Porter (1980) states that large-volume buyers are particularly potent forces if heavy fixed costs characterize the industry and raise stakes to keep capacity

filled. The hotel industry has been identified previously as being reliant upon achieving volume of sales, expressed usually in terms of occupancy. In the leisure/pleasure sector of demand, **travel agents, tour operators and other intermediaries** have the ability to demand large volumes of supply, and also commission rates on bookings. The dependence upon these sources of supply, particularly by independent hotels, means that the latter can achieve a high level of bargaining leverage. This may be due both to the location and lack of marketing power of individual hotels, further increasing their reliance upon these forms of volume business (eg., coach tour business).

Hotel groups are able to yield more profitable relations with such intermediaries. Their marketing and distribution supporting services means they are less dependent upon these volume customers.

However, it should be noted that these organisations are in a good position to influence consumers' purchasing decisions, which results in them still being a potent force in the industry. These retailers can potentially gain significant bargaining power over all providers of services in the hotel industry through their direct links with consumers.

Many customers for the hotel industry's goods and services are **independent travellers**, whether on business or pleasure trips. The hotel product is an 'experience' purchase and thus it cannot be tested before consumption. Therefore, such buyers will have weaker bargaining leverage due to the lack of full information concerning the product/service offered, its full price, and so on. This lack of information is no doubt further complicated by the image portrayed through promotional activity of the hotel units which may well encourage unreasonably high expectations prior to purchase.

Pressure from Substitute Products.

It was established earlier that certain sectors of the hotel market are more prone to threat of substitute products from other industries. In the Long Holiday market, for example, **self-catering establishments** are important substitute products based largely upon price. As is the accommodation category '**visiting friends and relations**'.

The multi-product/service element of hotels means that the substitution threat factor is not completely identifiable. For example, corporate hotels in particular are establishing product/service offering that are less prone to substitutability, such as the business, short-break and overseas markets which are less privy to the threat of substitute products.

Conversely, full-service hotels are significantly threatened by other products particularly in relation to their food and beverage operations. For example, restaurant and bar establishments have initiated price-performance advantages over hotel outlets. Grieveson Grant (1986) note that the marketing strategies of most hotel companies are mainly concerned in the maintenance of high bedroom occupancy rather than in attracting the 'non-resident customer'. The result is often the poor performance of food and beverage areas particularly within city-centre hotels, which clearly enhances the threat of substitution.

Budget hotels have become a substitute threat to guest and boarding houses, Rogers and O'Connor (1986) define these as 'up-market bed and breakfast' products. Budget hotels are often **product-extensions** of existing players rather than 'new' industry products per se, and as such are the outcome of market segmentation strategies by the major hotel groups.

3.6. A Review of Hotel Consortia.

From an initial review of the literature hitherto it is evident that studies involving hotel consortia have largely been carried out within the context of the more recognised organisational forms eg., franchises. A small number of academic observers have however begun to recognise these deficiencies and some definitional work is now in existence.

The Definition of Hotel Consortia.

Much of the literature which makes reference to hotel consortia does not exclusively put forward an interpretation of consortia but tends to group them with other types of organisational forms. In most cases consortia are used as a mechanism of comparison and contrast to assist in understanding these other organisations without necessarily exploring their specific characteristics.

Housden (1984) refers to hotel organisations as a 'business arrangement' and classifies voluntary chains, cooperatives and consortia together, stating that they are:

'affiliations of legally and financially independent units which voluntarily join together in economic interdependence to obtain economies of scale and greater leverage in the marketplace.' (p 43)

In contrast, Buttle (1986) identifies a corporate group, voluntary association or consortium and franchise group all as types of referral organisations. The latter he defines as 'a group of hotels which agrees, out of mutual self-interest, to handle incoming reservation requests for one another'(p 280).

Both of the above definitions to some extent include the same types of organisations and any differences can be accounted for by the authors reasons for forwarding such definitions. Buttle clearly is concerned only with the 'referral' aspect that all these categories appear to offer, whilst Housden identifies the major distinctions between a franchise and other business forms.

Pickering et al (1971) have cited the growth of cooperative marketing organisations within the British Hotel and Catering Industry, while Medlik (1976), refers to the 'formation of hotel consortia or cooperatives of independent hotels'. Greene (1978), additionally, suggests that groups such as Best Western may be described as 'co-operative marketing systems'. However, none of these authors add further definitional weight to their analyses and many of their assumptions appear unexplored.

US literature seems even more sparse in the identification of consortia arrangements, possibly because such arrangements are classified merely as all the other hotel groups operating within the US industry. Schaffer (1984), for instance, classifies Best Western as an example of a hotel group along with organisations such as Holiday Inns, therefore questioning consortia exclusivity.

Litteljohn (1982) forwards the definition of an hotel consortium as:

'an organisation of hotels, usually, but not necessarily owned autonomously which combine resources in order to establish joint purchasing/trade arrangements and operate marketing services.' (p 79)

He attempts to encompass the philosophical and structural aspects in his study of hotel consortia. His sample of consortia firms represent the actual focus of research and thus some added weight is given to this definitional approach.

The Composition of Hotel Consortia.

The **composition** of hotel consortia appears to be the most important starting point for discussion and analysis in much of the literature reviewed. The main arguments centre upon whether the consortia involve the affiliation of independent hotel units and whether their relationship within the organisation is one of interdependence. The following two aspects concerning the composition of consortia tend to be discussed in most detail:-

(a) Membership of Hotel Consortia.

It is not clear, from the main UK sources of literature actually reviewed, which types of firms in the industry comprise hotel consortia. The following list notes the main authors' statements concerning the composition of hotel consortia:

- **Housden (1984)** stresses that hotel consortia are 'affiliations of legally and financially independent units',
- **Buttle (1986)** refers to the formation of cooperative groups or consortia in the 1960's amongst smaller groups and independents,
- **Litteljohn (1982)** in his definition of a consortium stresses that it is an organisation of hotels usually but not necessarily owned independently, and
- **Pickering et al (1971)** predict that hotel consortia will most appeal to hotels that have between thirty and fifty-five bedrooms.

The independent status of hotel members seems to appear consistently, whilst Pickering et al are the only authors to specifically point to a size variable of member hotels. There are of course differences between the definitions used by the separate writers but it is clear from the literature reviewed that independent units may not be the only category of consortia members.

Litteljohn (1982) particularly points to the fact that hotel units may not be owned autonomously.

(b) Degree of Affiliation.

The various authors reviewed also appear to vary in their assessment of the relationship between firm members and the consortium organisation. Housden (1984) emphasises that units 'voluntarily join together in economic interdependence' (p 43). Although stressing this economic dependence, the voluntary nature of the affiliation does not assume the conventional link between a unit/subsidiary and its parent or owner, or the merger or takeover of units into a corporation in the usual sense. Other writers follow the same lines of debate although they do not agree with Housden as to complete unit interdependence in such organisations. Pickering et al (1971) in referring to 'co-operative marketing organisations' seem to echo this interdependence as a 'co-operative' relationship, but they only stress certain individual functions as being pulled together co-operatively. Litteljohn (1982) emphasises the wider operational functions of marketing, personnel and purchasing functions as being pooled.

It is apparent that this debate is one of vital importance in the study of hotel consortia as organisations. Assumptions on the workings of cooperative ventures must by necessity be different from those relating to organisations that merely provide certain individual pooled functions such as marketing.

Other aspects such as Litteljohn's (1982) reference to a 'subscription fee' being the main source of income to consortia, rather than a business fee or a cooperative pool of resources, further exemplifies the assumed unique affiliation between hotel units within consortium organisations. The notion of hotel units being known as 'members' of consortia rather than clients of a business organisation is also an important consideration.

It may be concluded that consortia are organisations composed of units which have some interdependence between themselves, the extent of which and the exact relationship require further investigation.

Operational Aspects of Hotel Consortia.

(a) Functions of Hotel Consortia.

The rationale for the evolution and existence of hotel consortia features as an important concern in the literature reviewed. The motivation for hotels to form a new consortium or become members of existing consortia appears to be determined by the member hotel's specific competitive contexts.

Pickering et al (1971) suggest the interest shown in the possible scope for development for cooperative activities in the hotel industry, seems particularly justifiable where there are large numbers of small firms unable individually to obtain full economies of scale. These firms are therefore placed in unfavourable bargaining positions with respect to the powerful buyers and sellers in the market place.

Buttle (1986) reiterates this point by relating to the growing power of hotel chains in the 1960's. This led to the formation of cooperative groups and consortia in order to counter the former's market leverage gained. Litteljohn (1982) also points out that hotels need to adopt more sophisticated approaches to sales in response to increased competitive forces.

It is reasonable to assume that the advantages to be gained from consortia membership have in particular, been recognised by independent hotels in the need to compete more substantially with corporate concerns. However, Buttle, Litteljohn and Pickering et al seem to argue that although many markets may still be small and diverse, the competition to substantially penetrate these has greatly increased. In contrast other markets, such as the overseas tourist

market, have become major challenges which require costly promotion to be effectively penetrated by hotel units.

Pickering et al (1971) suggest that by 'externalising internalities' through consortia membership, particularly smaller, independently-run hotels may more realistically compete in a more sophisticated market place. They go on to state that 'through co-operation some of the inherent disadvantages can be overcome and greater benefits obtained from smaller individual marketing and other outlays.' (p 94)

Housden (1984) shows that the need for hotel units to reap economies of scale in their operations has led to the existence of such cooperative ventures.

Buttle (1986) particularly stresses the advantages of hotel consortia membership for the achievement of economies in purchasing. For example, he suggests that collective advertising and promotion, central reservation systems and better representation will all serve as a mechanism for further revenue generation. In summary, the literature points to the rationale for the establishment of consortia arrangements which may be seen as for the benefits of economies of scale to achieve lower operating costs, therefore, cost reduction gains. Alternatively, for benefits of gaining additional business or revenue generation, usually achieved more viably through collective marketing and promotional activities.

(b) The Contrast between Consortia and Franchise Arrangements.

A major debate which spans all the writings on hotel consortia reviewed is the question of the **level of standardisation** required by member hotels. Housden (1984) differentiates between consortia and franchise arrangements by pointing out that the former require no standardisation of member units in contrast with units as part of a franchise agreement which are required to be highly standardised in keeping with specifications laid down by the franchise organisation.

The author identifies consortia as very loose affiliations of non-branded members due mainly to the lack of any laid down standardisation.

Buttle (1986) however does hint at some form of standardisation with respect to consortia membership. He suggests that members of each consortium share similar characteristics or marketing problems such as location in the same resort area or appealing to the same type of tourists. He further argues that in fact, many consortia check applications for membership against specific criteria and even when hotels are accepted, periodic reviews are undertaken.

These aspects assume some control on standards and therefore similarities amongst hotel members. However, it is debatable whether full standardisation amongst hotels is actually sought or indeed achievable.

Litteljohn (1982) expands upon this by pointing to the difficulty of applying the concept and suggests that even a term like a 'three star hotel' which may denote a definite image to some customers, will cover a wide range of standards in hotel facilities, services and prices.

One could therefore question the notion that members of franchise organisations are standardised to the extent that they can be branded as entirely similar in all respects of operation, character, structure and so on and hence that this differentiates them from consortia arrangements. However, Housden's work, though not water-tight on the issue of standardisation, does support the notion of the operational independence of hotels as part of consortia, as opposed to say part of a franchise organisation. One essential characteristic of a franchise arrangement is that there is an initial and continuing contribution by the franchiser through the involvement in the planning and organisation of the franchise, training of staff and in the supply of goods and services to the whole operation and so on. Additionally, there is mutual control by the franchiser and franchisee, over the product and operating procedures of the franchised unit.

Writers on hotel consortia seem to be fairly consistent in stressing that members of consortia usually join for several cooperative functional advantages and in wishing to remain economically independent, this assumes little input directly into the day-to-day operations of the unit.

Thus, as suggested earlier, functions carried out by consortia appear largely to be restricted to marketing and bulk purchasing (Pickering et al, 1971) rather than offering a full service package as is the case in the second generation franchise agreements. This is no doubt linked to the rationale hotels have for joining consortia as opposed to the acceptance of the franchise concept and is underpinned by Housden's (1984) description of franchises as 'tightly integrated, branded and multi-functional groups with each members behaviour controlled by group policy' (p 44). This definition clearly contrasts with the much looser structure of the hotel consortium forwarded by this author.

A key factor in the literature reviewed is the distinction between member units having operational independence or interdependence in their relation with the larger organisation. Litteljohn (1982) opposes such a distinction and he sees the risk of increasing adherence to group policy would lead to alienating certain potential consortia members on the grounds of a dilution of too much of their autonomy and a constriction of their preferred style of operation.

Hence, Consortia and franchise arrangements are different in their operational philosophies but none the less the issue of adherence to group policy need not be diminished as regards to consortia members. The latter are obviously less governed as a whole (compared with franchisees) in the operation of their individual hotels to begin with.

Housden's (1984) work serves as a useful framework for identifying some aspects of consortia characteristics, although her approach assists in the definition of hotel franchise arrangements rather than consortia per se. This is particularly relevant to Housden's comparative analysis concerning the

know-how and services offered by the different organisations. As mentioned previously, most consortia appear restricted to cooperative marketing and/or purchasing services. However, this assumption does not preclude consortia from offering different levels of these services amongst themselves.

Although Housden probably goes further than any other writer in defining and analyzing the operational characteristics of consortia overall hotel consortia have not been well addressed in theoretical terms, while previous studies have largely lacked definitional consensus and in depth analysis and investigation.

Previous Empirical Studies of Hotel Consortia in the UK.

Hotel consortia are believed to have been introduced into the UK in 1966, with the formation of Prestige Hotels (Litteljohn, 1984) and as mentioned previously, little exact research has been carried out into the operation of these organisations.

Table 3.22 draws the analyses of Pickering et al (1971) and Litteljohn (1982) together to assess the empirical testing of these organisations, in terms of firm and subsequent membership numbers over a range of yearly studies. Complete comparability is not available as definitions of consortia vary amongst observers and as studies of these organisations became more in depth and therefore sophisticated in definition terms over time. The figures show a growth not only in those hotels which are members of consortia but also in the expansion of hotel consortia organisations themselves, from three in 1970 to twenty-nine in 1985. The differing number of organisations recognised can be explained to some extent by extended analyses of consortia by industry researchers.

Table 3.22. Growth of Hotel Consortia and hotel members identified by industry researchers.

<u>Year</u>	<u>Number of Consortia</u>	<u>Number of Hotels</u>	<u>Number of Rooms</u>
1972 (1)	3	158	na
1982 (2)	9	592	na
1982 (3)	24	969	42586
1984 (4)	29	1094	54885
1985 (5)	29	1011	54476

KEY:

(1) J F Pickering et al, The Small Business in the Hotel and Catering Industry. HMSO. 1971.

(2) D Litteljohn, The role of Hotel Consortia in Great Britain. Service Industries Review. Vol.2.No.1 Spring 1982.

(3-5) Hotel and Catering Research Centre (HCRC). 1983, 1984 and 1985.

Similarly, the growth of hotel consortia has not been uniform. Consortia have ceased trading whilst new organisations from developed. In parallel with a slow down in hotel membership of the larger consortia, seven new consortia entered the British market during 1984 (HCRC, 1984).

The growth of hotel consortia and the members involved in these firms has been meteoric over this fifteen year period, hotel members for instance grew by forty-one per cent between 1970 and 1985.

Other than the analyses discussed in the preceding section, little empirical work has however been undertaken, and the findings above bear little comparison in definitional terms. The writer therefore recognised the requirement to carry out a preliminary study of those organisations that pertained to the working definition of a hotel consortium, established within

this thesis.

The review of previous studies of hotel consortia concludes that there is a lack of a comprehensive definitional consensus and that research has been limited to co-joint studies to other organisational forms. However, the authors reviewed do add an important comparative analysis of these and other organisations.

The following section forwards the preliminary study of hotel consortia carried out by the author of this thesis.

3.7 Preliminary Study of Hotel Consortia.

The findings, discussed below, relate to the number of hotels affiliated to hotel consortia and some preparatory assessment of their characteristics. The researcher was able to establish an initial analysis of certain characteristics of consortia organisations, such as the services they offered and their ultimate ownership. This initial assessment proved significant in setting the parameters for further research concerning these organisations.

The Composition of Hotel Consortia.

Table 3.23 shows the total number of hotels found to be members of the sample hotel consortia in 1986 and 1987. In 1986 there were 1,076 hotel members comprising 56,502 bedrooms whilst in 1987 this number had increased to 1,234 hotels and 59,395 bedrooms, reflecting a thirteen per cent increase in member hotels. If these figures are compared with those in Table 3.22 it can be seen that an increase in hotel membership occurred from 1985 (1,011 members) to 1987 (1,234 members).

Table 3.23 Total Hotels in Consortia 1986 & 1987.

	<u>1986</u>	<u>1987</u>
Number of Hotels	1,076	1,234
Number of Rooms	56,502	59,395

These organisations experienced quite marked growth in this period, although a precise comparison with those figures of other authors is difficult due to the utilisation of different definitions of consortia and consortia membership.

Tables 3.24 and 3.25 list the number of hotels and rooms represented by the fieldwork sample in the two years of analysis, the organisations being ranked according to total number of hotel rooms represented in the UK. This ranking ultimately shows the differences in the specific size ranges of hotels drawn to certain consortia.

Due to Consort Hotel's gain in member hotels from 1986 this organisation has overtaken British Airways Associate Hotels (BAAH) and Best Western Hotels respectively, as the largest hotel consortium in the UK.

Both years reflect the dominance in total represented rooms amongst five consortia (Best Western Hotels, British Airways Associate Hotels, Consort Hotels, ExecHotels and Golden Tulip Hotels) the exact rankings having only changed by the increase in Consort Hotel's portfolio. In 1987 these five organisations accounted for forty-nine per cent of consortia-represented hotels and sixty-five per cent of rooms. In Comparison, the top ten hotel consortia accounted for sixty-eight per cent of hotels and eighty-one per cent of rooms.

Table 3.24. Ranking of Hotel Consortia in 1986.

<u>Rank</u>	Hotel Consortium	Total UK Hotels	Total UK Rooms
1	British Airways Associate Hotels	29	10,445
2	Best Western Hotels	186	8,486
3	Consort Hotels	152	8,198
4	Golden Tulip Hotels	14	5,213
5	ExecHotels	136	3,146
6	Inter-Hotels	90	2,722
7	Star Collection Hotels	31	2,089
8	Nikko International Hotels	5	2,019
9	Leading Hotels of the World	11	1,633
10	Prestige Hotels	30	1,491
11	Concord Hotels	20	1,406
12	Pride of Britain Hotels	25	1,080
13	Southampton Tourism Group	23	1,044
14	Guestacom	110	1,032
15	MinOtels	48	844
16	Concorde Hotels	3	828
17	Yorkshire Rose Hotels	21	824
18	Thames Valley Hotels	26	673
19	Wester Ross Hoteliers Association	20	465
20	Relais et Chateaux	16	433
21	Hospitality Hotels of Cornwall	12	375
22	Preferred Hotels	1	280
23	Relais du Silence	12	245
24	Smugglers Coast Hotel Group	14	216
25	Viking (Shetland) Hotels	6	209
26	Hospitality Hotels of Northern Ireland	7	190
27	Romantik Hotels & Restaurants	6	118
28	Independent Llandudno Hotels	5	116

Table 3.25. Ranking of Hotel Consortia in 1987.

<u>Rank</u>	Hotel Consortium	Total UK Hotels	Total UK Rooms
1	Consort Hotels	202	10,918
2	British Airways Associate Hotels	30	10,066
3	Best Western Hotels	196	8,772
4	Golden Tulip Hotels	17	5,305
5	ExecHotels	166	3,394
6	Inter-Hotels	90	2,438
7	Star Collection Hotels	30	2,147
8	Leading Hotels of the World	12	1,857
9	Concord Hotels	21	1,566
10	MinOtels	79	1,472
11	Prestige Hotels	29	1,412
12	Quality Hotels	19	1,369
13	Nikko International Hotels	3	1,330
14	Guestacom	147	1,252
15	Southampton Tourism Group	26	1,114
16	Thames Valley Hotels	26	708
17	Yorkshire Rose Hotels	20	700
18	Pride of Britain Hotels	26	628
19	Concorde Hotels	2	510
20	Wester Ross Hoteliers Association	18	388
21	Hospitality Hotels of Cornwall	11	351
22	Relais et Chateaux	14	301
23	Smugglers Coast Hotel Group	14	293
24	Relais du Silence	15	285
25	Preferred Hotels	1	280
26	Hotels of Northern Ireland	6	175
27	Historic & Romantik Hotels	9	156
28	Viking (Shetland) Hotels	4	112
29	Independent Llandudno Hotels	5	75

The Ownership of Hotel Consortium.

It was recognised that many consortia are represented outside of the UK and many of these are actually foreign in origin. Tables 3.26 and 3.27 list these organisations, the asterisks identifying those organisations which are of foreign origin.

Table 3.26. International Consortia in 1986.

Best Western Hotels (*)
British Airways Associate Hotels
Concorde Hotels (*)
Golden Tulip Hotels (*)
Inter-Hotels
Leading Hotels of the World (*)
Nikko International Hotels (*)
Preferred Hotels (*)
Prestige Hotels
Relais du Silence (*)
Relais et Chateaux (*)
Romantik Hotels & Restaurants (*)

Several of these consortia organisations displayed above were shown to be offshoots of hotel owning/operating companies. Concorde Hotels and Quality International Hotels both own and/or manage hotels themselves, as well as operating an organisation that alludes to the working definition of a consortium.

Table 3.27. International Consortia in 1987.

Best Western Hotels (*)
British Airways Associate Hotels
Concorde Hotels (*)
Golden Tulip Hotels (*)
Historic & Romantik Hotels (*)
Inter-Hotels
Leading Hotels of the World (*)
Nikko International Hotels (*)
Preferred Hotels (*)
Prestige Hotels
Relais du Silence (*)
Relais et Chateaux (*)
Quality Hotels (*)

Nikko International Hotels and Golden Tulip Hotels in addition were found to operate more conventional hotel ownership/management arrangements with other hotels in their total portfolio.

Consortia such as Relais et Chateaux and Historic and Romantik Hotels appear to have expanded from outside of their home markets (France and West Germany respectively) and are seeking development internationally.

Leading Hotels of the World and Preferred Hotels have representation from hotels across the world and appear to have little concentration of membership in any one country. Best Western Hotels is not linked operationally with its parent company in the USA, although it receives the benefits of being affiliated worldwide with the Best Western name and network of over 3,000 hotels. Inter-Hotels was found to have hotels in the Republic of Ireland and also close, but informal ties, with other consortia in Europe.

Hotel Consortia Services.

Hotel consortia must carry out at least one common management function in order to be adequately defined as such and in order for these organisations to be assessed as 'Hotel Groups' (organisations responsible on a continuing basis for at least one management function in more than one hotel). The debate so far has postulated that it is the **extent** and not the **kind** of services that are important in this analysis.

From the initial analysis of hotel consortium organisations it is clear that there is more than one homogeneous type of consortia. The growth of consortia appears to have been accompanied by developments in the complexity of their activities, reflected most notably in the range of services that are offered to member units.

From the initial analysis of primary data, examples of consortia can be divided into three categories based on these services:-

1. Marketing-Oriented Services.

Previous authors have stated that the original concept of hotel consortia was that they should offer marketing and promotional services. Marketing is considered important for most businesses and perhaps more so in the hotel industry where there is little opportunity to see and test the product/service before purchase. Marketing services are thus required in the transfer of the hotel's goods and services from the unit to the customer(s). Consortia can be identified as adopting two broad 'strategic' positions related to the orientation of their marketing activities.

Firstly, certain organisations emphasise locational marketing, depicted simply in their titles (eg., Hospitality Hotels of Cornwall, Wester Ross Hoteliers Association and Southampton Tourism Group) and it can be shown that they

are promoting hotels within a certain locality, municipality or region.

Secondly, a number of consortia focus their services upon a specific sector of the market place, as demonstrated by organisations such as Leading Hotels of the World, Prestige Hotels and Relais et Chateaux in their promotion and their choice of hotel members.

It can be shown that there is a wide diversity in this respect, as to the exact kind and extent of services provided. There is also a strong differentiation in the provision of services for hotels whose facilities, location and so on are specifically targeted.

2. Human Resource Services.

The analysis shows that only one consortium provides explicitly personnel and training services - Concord Hotels. However, additional consortia offer in-house training programmes incorporating their entire hotel portfolio, Prestige and Best Western Hotels have allowed member hotels to take advantage of the collective cost of training staff and the increased spectrum of enhancing the experience (particularly managerial) of staff through collaborating with other member hotels.

3. Production Services.

Consortia such as Consort Hotels, Inter-Hotels and ExecHotels provide bulk purchasing agreements that materially assist member hotels in the transformation of raw materials into finished goods and services. Production services explicitly include benefits which are cost-reducing and which entail the supply of more efficient distribution, cheaper cost and increased quality of raw commodities.

Hotel Consortia Membership.

It became apparent when identifying and evaluating hotel members that they comprised more than one type of ownership. Hotel consortia were therefore found to hold membership from not only independent hotels but that a growing number represented hotels which were owned and/or operated by hotel companies.

The sample hotels were subsequently classified and evaluated in terms of their **ownership**, and two categories were established in the database to distinguish between **company owned/operated** hotels and those that were **independently owned/operated**. Table 4.8 shows the breakdown of members in the two years surveyed.

In 1986 there were 263 company-owned hotels which held membership of consortia and this figure had increased to 305 hotels by 1987. This signified a fourteen per cent increase in corporate membership, although a far greater increase can be observed from data compiled by the HCRC in 1985. They identified 153 corporate members (HCRC, 1985) which indicated that there was an increase of forty-two per cent to 1986 based on the figures given in Table 3.28.

Table 3.28 Hotel Consortia Membership 1985 - 1987.

	<u>1985 (1)</u>		<u>1986 (2)</u>		<u>1987 (2)</u>	
	<u>Hotels</u>	<u>Rooms</u>	<u>Hotels</u>	<u>Rooms</u>	<u>Hotels</u>	<u>Rooms</u>
<u>Gross Total Consortia</u>	1,011	54,475	1,076	56,502	1,238	59,395
<u>Independent Hotels in Consortia</u>	858	28,559	813	24,007	933	26,069
<u>Corporate Hotels in Consortia</u>	153	25,917	263	32,495	305	33,326

KEY: (1) HCRC,1985
(2) Researcher's Study.

Two observations can be made from these figures. Firstly, there appears to have been an increasing trend (although less marked recently) for **corporate hotels**, as distinct from those independently owned/operated to become members of hotel consortia. Secondly, if one compares the characteristics of such member types, corporate hotels appear to be substantially larger in the number of bedrooms operated (an average of 124 rooms and 109 rooms, respectively, in the two years) thus effecting the overall average size of consortia members.

This pattern appears stable (seventy-five per cent of member hotels in 1987 still remain independent) but these latest figures do also reiterate the scale of corporate membership and call into question the influence such larger businesses have upon the whole focus of the consortium organisation.

Another 'type' of hotel member was also identified at this preliminary stage of the research, namely the **multiple member**. A number of independent hotels and those operated by smaller hotel groups were found to be members of more

than one consortium. Thus, all total figures for the number of hotels in consortia now appear to be gross rather than net, a number of hotels being counted twice or in some cases three times, due to their multiple membership. In 1986 there were seventy-three hotels holding multiple membership, whilst in 1987 the number increased by seventeen per cent to eighty.

Table 3.29 shows an example of four multiple hotels, two of which are also corporate members - The Cumberland and Gleneagles Hotels.

Table 3.29. An Example of Four Hotels Holding Multiple Membership of Hotel Consortia.

<u>Hotels</u>	<u>Consortia Membership</u>
Studley Priory, Horton Cum Studley:	Consort Hotels Romantik Hotels Thames Valley Hotels
University Arms, Cambridge:	Best Western Hotels Concord Hotels
Gleneagles, Auchterarder (Gleneagles Hotels):	Leading Hotels of the World Pride of Britain Concorde Hotels
Cumberland, London (THF Hotels):	Golden Tulip Hotels British Airways Associate Hotels

Size, Market level and Location of Hotel Consortia Members.

Information on each hotel member was fed into the database relating to their number of lettable bedrooms. The size ranges of member hotels, shown in Table 3.30, are similar for both years surveyed, the most hotels being within the ten to twenty-four room range.

Table 3.30. Size of Consortia Members - 1986 & 1987.

<u>Size (By Bedroom Numbers)</u>	<u>Hotels</u>		<u>Hotels</u>	
	<u>1986</u>	<u>1987</u>	<u>1986</u>	<u>1987</u>
1000+ rooms	-	-	-	-
500-999 rooms	15	11	10,683	8,481
200-499 rooms	35	35	9,803	9,909
100-199 rooms	62	77	8,030	10,246
50-99 rooms	158	172	10,540	11,570
25-49 rooms	294	308	10,190	10,614
10-24 rooms	404	475	6,460	7,431
4-9 rooms	108	160	796	1,144
Total	1,076	1,238	56,502	59,395

Over the two year period there had been an increase in the membership of hotels with less than twenty-four rooms, showing the overall smaller nature of hotels which are members of consortia. Excluding corporate hotels it appears that consortia are comprised of small hotels averaging thirty bedrooms.

Table 3.31 shows that over sixty per cent of member hotels are two star or below, the exact figures for the two years being sixty-two per cent and sixty-one per cent, respectively.

Table 3.31. Market Levels of Consortia Members.

<u>AA Classification</u>	<u>Hotels</u>		<u>Hotels</u>	
	<u>1986</u>	<u>1987</u>	<u>1986</u>	<u>1987</u>
5 *	16	19	3,757	4,640
4 *	78	83	14,806	14,897
3 *	318	380	15,735	18,857
2 *	262	300	6,782	7,580
1 *	35	33	498	360
Unclassified	368	423	14,924	13,061
Total	1,076	1,238	56,502	59,395

However, these figures do hide the fact that two and three star hotels combined, accounted for fifty-five per cent of consortia members in 1987. The figures show that 100 hotels have been added to this middle market sector reflecting an increased focus in these two star categories. It is difficult to speculate upon the increase in unclassified hotels, as the classification system utilised is not statutorily regulated. Consequently, this category does not necessarily represent hotels below the standards set by the Automobile Association, but may reflect those units which elect not to participate in this scheme. Thirty-three per cent of hotel rooms in 1987 are in the five and four star categories reflecting possibly those corporate hotels which are larger and are more likely to occupy the higher market echelons. These hotels in particular lift the sector from being predominantly mid- and down-market in character.

Table 3.32 shows the breakdown of consortia hotels based on broad geographical areas. The mass of rooms that are serviced by different consortia are in fact located in London, due to the increased hotel capacity and larger size of hotels in the capital. London accounted for twenty-nine per cent of all rooms in the UK and also comprises a large proportion of corporate hotel members.

Table 3.32. Location and Consortia Members.

<u>Area</u>	<u>Hotels</u>		<u>Hotels</u>	
	<u>1986</u>	<u>1987</u>	<u>1986</u>	<u>1987</u>
England	779	904	45,480	46,685
Scotland	200	219	8,246	8,885
Wales	81	88	2,183	2,530
Northern Ireland	16	15	593	605
Total	1,076	1,226	56,502	58,100
London	58	64	17,517	17,244

3.8 Summary and Key Findings.

A Redefinition of the Hotel Industry.

In conclusion, hotels may be distinguished from other forms of accommodation for the following reasons:-

1. Hotels, as **multi-product/service establishments**, operate within a **wide range of market segments**.
2. Hotels provide **facilities in a more sophisticated manner**, relevant to the extent of resources and management expertise employed. This is partly due to their wider range of facilities and also to their often larger size.
3. Given the extent of products/services, provided these units will also be **in competition with other establishments such as restaurants, cafes and bars**, a factor not usually applied to other residential units such as guest and boarding houses and self-catering schemes.
4. Hotels are particularly **dependent upon the business market** (due to the elements above) for custom, as well the **short break holiday market and visitors particularly from overseas**; this requires the level of servicing available by many of these establishments. Other factors such as national and international advertising, a network of hotels and additional products specifically designed for this user group further enhance the divide between hotels and alternative accommodation.
5. Even 'budget hotels' as less complex forms of hotel units, **require the resources and management expertise of a large sophisticated organisation**. Budget hotels still remain distinct from other forms of accommodation due to their location, economies of scale and this management and marketing expertise.

The hotel industry thus includes firms that meet the characteristic requirements of hotels while other forms of accommodation are relevant as substitutes only in a narrow range of market segments and circumstances.

The fact that hotels are often multi-market and multi-product units serves to complicate definitional analysis based upon substitutability. However, it is held that the main element of an hotel promoted by hotel consortia is **accommodation**, as in investment and income terms, it remains the major part of the operation.

Structure of the UK Hotel Industry.

It has been demonstrated that firms within the hotel industry compete within a **fragmented industry structure**. In absolute terms no single firm holds sufficient market share to the extent that it can significantly influence the industry outcome. Seller concentration in the industry was found to be less than eleven per cent and with thousands of firms making up the remainder of the industry. As a consequence, profitability is largely squeezed across the industry, exacerbated by the relatively high capital structure intensity and the occupancy level volatility. As Hofer and Schendel (1978) point out:-

‘high capital intensity can depress overall industry profitability ... especially when market share is low. One of the principal reasons for the low ROI observed in businesses with high capital intensity is the intense efforts placed on achieving high-volume and thus high capacity utilisation in such industries.’ (p 129)

The key characteristics of the structure of the UK hotel industry arising from this analysis are shown in Table 3.33. This analysis is based on Porter’s (1980) five-force model of industry forces affecting competitiveness.

In terms of concentration the differing ability of firms to cope with industry dynamics has resulted in two distinct sets of firms being observed within the industry (Table 3.34).

Table 3.33 Summary of Structural Characteristics of the UK Hotel Industry.

Threat of Entry and Exit

Entry is still relatively easy however this does depend upon the **extent** of entry required.

Capital and other requirements make entry more difficult in certain sectors of the market related to the size, market level and location of hotel units.

Exit Barriers remain high although increasing commercial orientation is beginning to lower obstacles to withdrawal.

Buyer Concentration

Commercial Buying groups are able to **wield bargaining power** over suppliers

Travel Agents, Tour Operators and other intermediaries demand large volumes of supply as well as commission rates from industry firms.

Majority of buyers are independent travellers who exhibit weaker bargaining positions.

Supplier Concentration

Suppliers are able to exert pressure over industry members.

Threat of Substitutes

Substitutes depend upon market segments targeted mainly **limited to narrow market segments** such as long holiday market and non-residential demand.

Industry Competitors

Seller concentration is nominal - less than eleven percent of output controlled by five largest firms. Thousands of **small firms** dominate industry.

Instability of hotel market effects all firms irrelevant of size.

Appears to be distinct patterns of behaviour between independent and certain hotel groups (see below).

Table 3.34. Distinct Patterns of Behaviour exhibited by two sets of Industry Players.

(1) Hotel groups (at concentrated end of the Industry):

Heightening barriers to entry through their ability to access markets and building branding strategies.

Some benefits vis-a-vis suppliers if purchasing standardised (branded) products.

Are able to counter some of the bargaining power of buying groups by virtue of their own size (in supplier terms).

(2) Smaller Hotel Groups & Independent Operators:

Little ability to wield power over suppliers and some buying groups.

In some instances emotional barriers result in the formation of exit barriers from the industry.

Entry barriers very low in this sector of the industry.

Position of Hotel Consortia in the Hotel Industry.

Several points which appear significant and relevant to this research, from the literature reviewed can be summarised as follows:-

1. The definition of what constitutes hotel consortia varies amongst authors, depending upon the requirement for such clarity within their analysis. Generally, investigation concerning consortia was limited where other types of organisations eg., franchises were the main focus of enquiry.

2. All of the authors identified consortia as comprising small firms from within the hotel industry.

Issues concerning the definition of small firms within the industry remain unclarified other than references to 'single independently' operated businesses or to 'small groups' of hotels.

3. Discussion of the exact workings and relationship between hotels and the consortium organisation by the various writers reviewed lead to additional insights into these organisational forms. Further, questions of accountability, organisation structure and control of the organisation all come to the fore having reviewed this literature. From this review the perceived rationale for the existence and growth of consortia may be summarised as follows:

- (i) the reduction of hotel operating costs, and/or
- (ii) the generation of additional revenue through increased business.

4. Services offered by hotel consortia, as all of the authors identified agree, are mainly related to marketing and purchasing.

Although only Housden (1984) delivers a more detailed analysis of the operationalisation of consortia (in her comparison with aspects of franchise arrangements) much of the literature reviewed relates to **membership structure** rather than providing an organisational analysis of hotel consortia.

5. The empirical research forwarded by the authors shows the significant growth of consortia over more than a decade and the increase in both organisations and member hotels further underpins the need for research.

6. The researcher's preliminary study of 28 and 29 hotel consortia, respectively, identified further characteristics and features of consortia, the most important being:

- the **variance in organisational size** amongst the surveyed consortia - five consortia dominating in terms of the number of hotel rooms they represented.

- consortia operating in the UK were found to be **not only indigenous organisations**, in 1987 ten hotel consortia originated from outside of the UK.

- **internationalisation** was also found to be evident in terms of the representation of hotel members - in 1987, thirteen consortia held membership from hotels from more than one country.

- the **products** offered by the consortia sample, examined in terms of the services advanced to member hotels could be classified into three categories (1) Marketing oriented services,(2) Human Resource Management services and (3) Production services.

- in terms of the membership of hotel consortia - **more than one 'type' of category of membership** was observed. The first category was related to the ultimate ownership of member hotels

- they were either owned/operated independently or were corporate hotels therefore owned/operated by hotel companies. A further class of member hotel was one which belonged to more than one consortium - entitled a 'multiple' hotel.

- an extended analysis of the **operational characteristics of member hotels** showed that hotels which held consortia membership were in the majority of small size (the number of lettable rooms was used as a measure) although their size ranges did vary considerably. They also originated from primarily the mid-and lower market ranges.

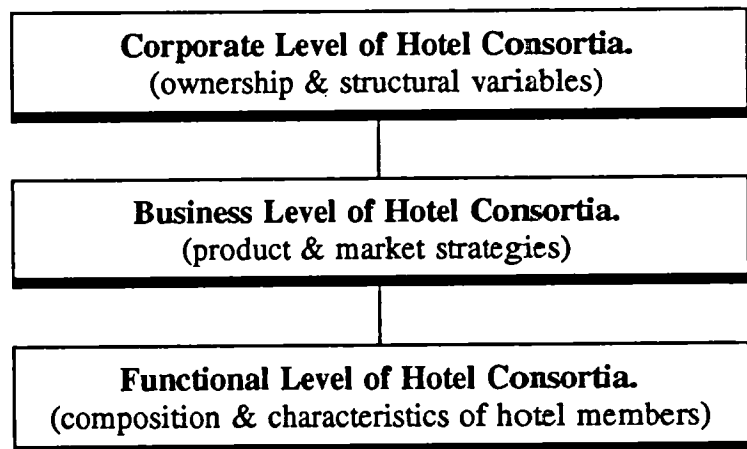
Therefore, this preliminary study has revealed a whole range of extra operational and strategic features of consortia, which appeared not to have been examined previously. Thus, the need for more in depth research of these organisations within the hotel industry was established.

CHAPTER 4. FIELD STUDY FRAMEWORK AND METHODOLOGY.

This chapter explains the dimensions measured in order to form strategic groupings and establishes the fieldwork sample, with the aid of the working definition of hotel consortia previously formulated.

4.1 Methodology - Dimensions Measured.

The variables researched and the structure of analysis utilised arise out of the preliminary research findings and the theoretical literature reviewed previously. To reiterate, the sample is evaluated using the hierarchical levels of corporate, business and functional strategy advocated by Hofer and Schendel (1978), portrayed as follows:



The analysis draws upon the strategic grouping literature in relation to the construction and operationalisation of groupings and the interpretation of these. Strategic groupings are identified by employing descriptive and interpretative procedures (Cool and Schendel, 1987).

For the purpose of strategic group classification the consortia sample were assessed using this hierarchical analytical tool and the following sections introduce the dimensions identified and measured at these three levels.

Corporate Level of Hotel Consortia.
(Ownership and Structural Dimensions).

The fieldwork sample assessed at this level of analysis involved the study of the ultimate parent organisations of consortia as well as the latter's corporate strategic orientation. The dimensions employed as a basis of measurement and analysis were grouped as follows:-

(1) Related to the ownership of each consortium:

- the **ownership** of the hotel consortium and its **strategic role** within the parent organisation.

(2) Related to the corporate level of the consortium:

- the **size of the consortium**;
- the **geographical diversification** (internationalisation) of the consortium;
- the **corporate structure** of the consortium.

As only minimal changes in these consortia occurred in the two year period of the study, it was decided to take as the sample the 29 organisations identified in 1987 (the period of the strategic group analysis). However, the analysis of each consortium organisation does take into account the increase/decrease in total size of the organisation by comparing the first year with the result in 1987.

(1) Hotel Consortia Ownership.

This level of strategic analysis was designed to identify a number of groupings centred upon different ownership and management characteristics. Table 4.1 displays the dimensions measured for each consortium.

The **ultimate owning organisation** of each consortium was first established, along with the **core business activity** of this corporation. Although recognising that any one company could be involved in a range of activities, the dominant business activity could be easily assessed for each surveyed organisation.

From further analysis of these firms five dimensions were identified dependent upon the '**strategic orientation**' of each consortium relative to its corresponding owning organisation (see Table 4.2 below). Porter (1980) also defines this aspect as important stating that 'competitors diverse in ... relationships to their parent companies have differing goals and strategies for how to compete' (p 19).

It was therefore assumed, for example, that an hotel consortium run owned/operated by an unrelated conglomerate firm will compete on different terms in the hotel industry compared to those consortia which are single product firms.

**TABLE 4.1 Hotel Consortium at Corporate level
HOTEL CONSORTIUM**

OWNERSHIP		SCORE	1-5 SCORE
OWNING COMPANY			
CORE BUSINESS ACTIVITY			
STRATEGIC ORIENTATION OF CONSORTIUM		PRESENT	SCORE
CONSORTIUM		SCORE	COMMENTS
SIZE - NUMBER OF HOTEL BEDROOMS			
3000+			6
2000 - 2999			5
1000 - 1999			4
500 - 999			3
250 - 499			2
<249			1
INTERNATIONALISATION			
(1) ORIGIN			
UK			2
FOREIGN			1
(2) OPERATIONS			
UK			0
INTERNATIONAL			1
ORGANISATION STRUCTURE			
NON-EXECUTIVE COMMITTEE			4
FULL-TIME EXECUTIVE HEADS			3
SMALL SUBSIDIARY			2
NO SPECIFIC STRUCTURE			1
NUMBER OF EMPLOYEES			
> 15			4
4-15			3
< 4			2
NONE			1
Total Rating :			

Table 4.2. Corporate Level Dimensions - Ownership.

<u>Dimensions.</u>	<u>Score</u>
Strategic Orientation of Consortium	
Hotel Consortium	5
International Division of Consortium	4
Extension of Hotel Operating Company	3
Extension of Existing Business	2
Extra Service to Prime Customers	1

These five classifications were therefore scored based upon the strategic link/direction between the parent company and the consortium. The rationale being that the most straight forward direction would result from a consortium with a parent identified as a single product/service firm, ie., the organisation was specifically a hotel consortium and was involved in no other activities. This dimension therefore received the highest score of five points.

Strategic direction became slightly more diffuse in the second dimension where the UK hotel consortium is part of a more geographically diverse organisation, although still engaged in a single business activity, this received a score of four points.

The third classification represents a different type of owning organisation and thus a distinct strategic relationship exists with the respective consortium. It includes hotel companies which own, manage and franchise hotels. Their relationship with the hotel consortium organisation is diffuse but importantly it is a related type of activity, and their activities remain predominantly involved in servicing/operating hotels.

The following dimension scores two points, it has been identified as including those owning organisations which have extended their existing business to encompass hotel consortium services. However, these are more broadly based tourism organisations, such as regional tourist boards, their mission to promote a particular location.

The objectives set for the consortium are more focused than those of the owning organisation, the latter promoting a range of diverse tourism products. The strategic linkage is therefore more disparate.

Finally, the last dimension identifies those owning organisations which produce a wide range of related or unrelated products/services, classified more succinctly as conglomerate firms. The operation of a hotel consortium, rather than being a main business activity merely provides an additional service to prime customer groups of these owners. The potential strategic conflict is therefore at its greatest and organisations exhibiting this type of ownership score only one point.

(2) Corporate Level of Hotel Consortia.

Table 4.3 identifies the dimensions used in order to assess the corporate structure of hotel consortium. Such features as well as taking into account the administrative structure used to manage each consortium, as analyzed by Chandler (1973), also included recognition of the Non-Executive Committee Structures of some of these organisations which allow hotel members to become involved in the decision-making process of consortium.

Table 4.3. Corporate level Dimensions - Hotel Consortia.

Dimension.	Score
Size - Number of Hotel Bedrooms	
> 3000 Bedrooms	6
2000 - 2999 Bedrooms	5
1000 - 1999 Bedrooms	4
500 - 999 Bedrooms	3
250 - 499 Bedrooms	2
< 249 Bedrooms	1
Internationalisation	
(1) Origin	
UK Origin	2
Foreign Origin	1
(2) Operations	
UK Operations only	0
International Operations	1
Organisation Structure	
Non-Executive Committee	4
Full-time Executive Heads	3
Small Subsidiary	2
No Specific Subsidiary	1
Number of Employees	
> 15 Employees	4
4 - 15 Employees	3
< 4 Employees	2
No Employees	1

Cool and Schendel (1987) have identified that the 'size of firm influences the ability to allocate different amounts of resources' (p 1111). In terms of this study the subscription payments of consortia formed a large part of the total

revenue available to facilitate such distribution of resources.

Therefore, an absolute measure of size was identified in the total number of hotel members in 1987. The **size of each consortium** thus formed the first dimension, scores being applicable to the different size proportions of the sample.

The next two dimensions established the **internationalisation** of the sample consortia. The growth strategies of consortia may be established from these dimensions encompassing geographic rather than product diversification. The **indigenous origin** of consortia is established as an advantage, however, in operating within the UK, particularly in initiating hotel members. Therefore this dimension scores two points whilst consortia originating from outside of this country score only one point.

Consortia which possess **international operations** receive a score of one point, whilst national organisations do not receive a score in this category. The access that the internationalisation of consortia provides to an extended customer market warrants some differentiation, particularly as demand from overseas tourists has previously been identified as an important market segment for hotel units (see Chapter 3).

The operationalisation of the concept of organisation structure was further accomplished by utilising Channon's (1973) measure of this feature, through studying the 'formal administrative structure of hierarchical relationships used to administer the organisation'. Similarly to this author, the difficulty in externally viewing the informal system of inter-personal relationships which underlie such a system were recognised but not formally identified.

The fact that consortia do not own or operate any of the hotels that they represent, and that terms such as 'members' are used to describe hotels both point to the fact that these do not necessarily reflect conventional business organisation.

Thus, the existence of a **Non-Executive Committee Structure** was identified amongst the field sample, reflecting the involvement of certain member hotel representatives in influencing the strategic and tactical direction of the organisation, as well as the administration of the consortium. Additionally, it became apparent through the course of the inquiry that information relating particularly to the corporate structure of consortia was more difficult to gather, therefore aspects such as the existence of such a **Committee Structure** amongst the sample increased in importance and scored four points accordingly.

In addition to recognising the employment of unpaid administrators amongst the field sample, an additional dimension identified and measured (two points were allocated) those consortia which through operating a complex organisation structure were able to employ paid, **full-time executives** in positions as functional heads.

Two further dimensions reflect the fact that certain consortia either operate as a **small subsidiary division** of their parent company or they share corporate functions with the ultimate owning organisation, therefore exhibiting **no specific corporate structure** as such. Both dimensions are evidence of the fact that a specific hierarchical structure has not been developed in order to administer the management of the respective hotel consortium, the former however, is more significant structurally (and therefore scores two points in comparison to the single point awarded to the latter dimension).

The **number of full-time (equivalent) employees** proved difficult to amass, therefore these dimensions represent ranges of the number employed rather than exact head counts. The extent of the corporate structure of each consortium (coupled with aspects such as un-paid employees, identified in the involvement of hotel member personnel) is further reflected in these size ranges, the paid employment of over fifteen members of staff scoring four points compared to the lack of any staff scoring only one point.

This dimension of the field sample was studied and measured due to the effect that personnel can have on the form of the organisation ie., it's structure.

Business level of Hotel Consortia.

(Product and Market Strategies).

Hotel consortia were further analyzed using dimensions established at the business level (see Table 4.4). These were formulated utilising the 'observable' concept of strategy evolved by Channon (1978). The product offerings of consortia were depicted in the range of services they offered to hotel members. The end-user markets targeted by consortia were also observed, related to the marketing services these were reflected in the programmes, distribution systems and promotional methods implemented.

The extent and not the kind of services offered were measured, for example, twenty-five dimensions were found to relate to the title 'Marketing Services', various score were applied to each of these, the rationale for these will be explained throughout this section. Therefore, a hotel consortium scoring highly in relation to this type of service was perceived as providing a magnitude of marketing services.

In addition, a more exacting review of the components of marketing, purchasing agreements and human resource management benefits identified aspects such as the employment of external organisations and/or agencies and mechanisms such as central reservation systems which were judged to be distinct indicators of the extent of services offered.

**TABLE 4.4 Hotel Consortium at Business Level
HOTEL CONSORTIUM**

	PRESENT	SCORE	COMMENTS
MARKETING SERVICES			
(1) PUBLICITY MATERIAL			
(A) GROUP BROCHURE		3	
(B) INDIVIDUAL HOTEL BROCHURE		1	
(C) IN HOUSE MAGAZINE		1	
(2) PROGRAMMES AND PROMOTIONS			
(A) SHORT BREAK PROGRAMME		2	
(B) BUSINESS/CORPORATE SCHEME		2	
(C) CONFERENCE & MEETINGS PLACEMENT		2	
(D) TRANSPORT LINKED PACKAGES		2	
(E) GROUP BOOKING SERVICE		2	
(F) TRAVEL AGENTS		2	
(G) TOUR PROGRAMMES		2	
(H) AIRLINE & GROUND HANDLING AGENTS		1	
(I) FREQUENT USER SCHEME		1	
(J) SPECIAL PROMOTIONS - VOUCHERS		1	
(K) INCENTIVE TRAVEL SCHEME		1	
(L) LEISURE PROGRAMME		1	
(M) JOINT TACTICAL PROMOTIONS		1	
(3) SALES OFFICES / REPRESENTATIVES			
(A) NATIONAL - MORE THAN ONE		1	
(B) INTERNATIONAL		3	
(C) OVERSEAS REPRESENTATIVES		2	
(4) CENTRAL RESERVATION SYSTEMS			
(A) IN - HOUSE		3	
(B) CONTRACTED OUT		2	
(5) REFERRAL SYSTEMS			
(A) SPECIFIC ONWARD BOOKING		1	
(B) PUBLIC RELATIONS		1	
(A) INFORMATION & FACILITY VISITS		1	
(B) EXHIBITIONS & TRADE Fairs		1	
HUMAN RESOURCE MANAGEMENT SERVICES			
(A) RECRUITMENT		1	
(B) JOB DESCRIPTIONS		1	
(C) INDUSTRIAL RELATIONS		2	
(D) MANAGEMENT TRAINING SCHEME		3	
(E) CRAFT TRAINING SCHEME		2	
(F) SALES & MARKETING TRAINING SCHEME		1	
PRODUCTION - ORIENTED SERVICES			
(A) PURCHASING		2	
(B) PURCHASING - CONTRACTED OUT		1	
(C) BUYING DIRECTORY		1	
(D) PURCHASING SURVEY		2	
(E) PRODUCT BRANDED LOGOS		3	
(F) CREDIT CARD FACILITIES		1	
			Total Rating :

The strategies enacted by consortia, exemplified in the services offered to member hotels were grouped under the three functional headings:-

- **Marketing Services;**
- **Human Resource Management Services; and**
- **Production-Oriented Services.**

Minimal changes were recorded over the period of the survey in the services offered and therefore the 29 organisations identified in 1987 were used exclusively.

(1) Marketing Services.

Table 4.5 displays the dimensions identified in relation to marketing services.

One of the main points which has been emphasised by previous authors and reiterated at the preparatory stage of this field study (see Chapter 3.7) is the fact that consortia are a grouping or collective of hotels. Thus, in promotional terms it is the strength of such numbers of hotels, often also the national or international representation they hold that should be emphasised. The prime publicity material of any one consortium was therefore identified as a **group or collective brochure.**

This was perceived as a catalogue of the entire organisation (or regional parts of a worldwide whole), and therefore the first element to be identified amongst the sample was therefore the existence of such a brochure, scoring four points.

Alternatively, the **distribution of individual hotel brochures** to the end user was witnessed as another publicity dimension. This service was seen as less of a collective promotional tool, but it did assist in identifying the affiliation or link between the member hotels, therefore it's score was more minimal at one point. Another form of publicity material to be identified was the existence of an **In-House Magazine**, more usually produced for hotel customers. This was also seen as a public relations document which was distributed to the trade press and to employees within member hotels and the hotel consortium.

Table 4.5. Business Level - Marketing Services.

Dimensions.	Score
Publicity Material	
Group Brochure	3
Individual Hotel Brochures	1
In-House Magazine	1
Programmes and Products	
Short Break Programme	2
Business/Corporate Scheme	2
Conference & Meetings Placements	2
Transport Linked Packages	2
Group Booking Service	2
Travel Agents	2
Tour Programmes	2
Airline & Ground Handling Agents	1
Frequent User Scheme	1
Special Promotions - Vouchers	1
Incentive Travel Scheme	1
Leisure Programme	1
Joint Tactical Promotions	1
Sales Offices/Representatives	
National Sales Offices	1
International Sales Offices	3
Overseas Representative/s	2
Central Reservation Systems	
In-House	3
Contracted-Out	2
Referral Systems	
Specific Onward Booking Scheme	1
Public Relations	
Information & Facility Visits	1
Exhibitions & Trade fairs	1

However, it was not considered as so important for promotional reasons, largely due to the low print runs of such expensive documents which led to a smaller distribution of this publicity material, and therefore scored one point.

As the analysis of hotel demand has stressed (see Chapter 3) the market can easily be segmented, in response to such divisions, hotels and hotel groups seek to target specific customer groups. An analysis of the **programmes and product/service ranges packaged and promoted** by hotel consortia to target particular groups for the benefit of member hotels became an important category to identify the extent of marketing and sales support.

These products were perceived as directly market and demand oriented and consortia which were found to offer a wide range of these were identified as allowing member hotels to take substantial advantage in terms of business generation.

The short break market is one in which the promotion of a national representation of hotels or at least a choice of hotels was distinguished as being important. Links with reservation and transport systems were also important elements, this type of 'inclusive' package is booked less in advance than longer periods of holiday and the ability to include public transport to the hotel location is sometimes an additional selling point of a programme. Thus, the promotion of a **short break programme** became important in identifying the sophistication of marketing effort provided for member hotels by the sample organisations, and therefore a consortium providing this facility scored two points.

Similar aspects of collectivity apply in the **corporate and individual business market**. Schemes that present discounted rates on guaranteed business across the consortium portfolio as well as those that offer business 'club' programmes were assessed in light of the customer loyalty and guaranteed business that these can fulfil for member hotels. **Conference and Meetings Placement**

services also followed this trend, allowing customers the choice from a variety of hotel locations and the ability to gain additional access to these through one overall organisation. The existence of these two marketing services scored two points each. **Transport linked packages** included links with car rental organisations, as well as public transport such as airlines, railways and so on.

These latter organisations as well as **travel agents** and **tour operators** were seen to possess the ability to employ considerable bargaining power, particularly over a small, independent hotel, due to their requirements for large amounts of hotel accommodation. The liaison with these organisations through the consortia rather than direct with the hotel was found to disperse this power base. Also the ability of the consortium to offer a variety of locations and hotels also meant that there was additional access to these channels of distribution. The availability of such benefits provided a score of two points, per intermediary programme.

Liaison with **Airline and Ground Handling Agents** through the consortium organisations was identified as important, but due to the fact that less demand is customarily generated through this median, a lesser scoring of one point was given to the possession of this facility.

The ability to provide **Frequent User Schemes** was identified as a means of promoting customer loyalty and can also be important for cross-selling purposes ie. encouraging business customers to use the portfolio of hotels when staying for leisure purposes. The establishment of these facility by the field sample was seen as an additional, not vital form of marketing promotion and therefore one point was conferred upon this service.

Special promotions included vouchers that could be reclaimed for goods at participating hotels and so on, as such they therefore supplement the public relations activities that a consortium may carry out (one point was therefore given to such a service).

Incentive Travel and Leisure Programmes were targeted products aimed at certain segments of the entire hotel market. The elements of offering a choice of hotel locations and a central bargaining and negotiating point are also important in these markets, although a score of only one point was conferred on this service due to the currently small size of markets for this product offering.

Tactical promotion aimed at individual member hotels was recognised as an additional subsidiary marketing service. This is due to the additional charge often placed upon the utilisation of such a service and therefore the lower potential take-up of this facility by member hotels accorded a one point score upon this. However, unlike contracting an advertising or promotional agency, here the emphasis was upon a joint promotional campaign.

The access to **national and international sales offices**, outside of the headquarters organisation, allowed hotels to readily increase the channels of distribution for their products/services. Therefore, an assessment of these services and a central reservation system stood as most important in generating business directly for member hotels. The programmes and products discussed above also allowed the promotion at these distribution points to be targeted more precisely. The existence of more than one sales office in this country (usually located regionally) therefore achieved a score of one point, whilst the access to overseas markets through the existence of international sales bureaux - controlled by consortia themselves scored more highly at three points. The intermediate score was bestowed on those consortia which, in not having direct sales divisions overseas, employed specific **representatives** who operated on their behalf in generating foreign business.

Central Reservation Systems varied greatly amongst the sample, due to a period of transfer from manual to computerised systems. Therefore, the broad definition used here was that a central reservation system was one in which bookings/enquiries could be made concerning the hotel members of any one

consortium. This simple definition was important as it became apparent that several organisations could not directly book hotels from central office and therefore the power of this collective medium was possibly lost. (two points were awarded for the operation of either a manual or computerised system, correspondingly, the contracted out facility of central reservations was awarded a smaller measurement of one point).

Referral, seems the most simple of consortia membership advantages, however, the parameter used in this analysis was whether referral was specifically encouraged, possibly enacted by a stipulated onward booking scheme. This was important as the working definition utilised in order to ascertain the field sample specifically excluded those organisations operating only a referral system whilst an onward booking scheme assumes referral internally amongst member hotels rather than only from the centre. (one point was awarded if a managed referral system was found to be in operation).

Public Relations remains the last area of analysis, and although many organisations employed specific specialists in this field the two aspects listed were most evident amongst the sample. **Information and Facility Visits** assumed that member hotels must allocate a certain percentage of rooms for complimentary 'guests'. These schemes allowed the familiarisation of consortium hotels as a public relations exercise, designed ultimately to encourage future business generation.

Promotional activities at **Exhibitions and Trade Fairs** was deemed another area of importance in terms of public relations and the distribution of hotel members products. The ability for organisations as well as their individual affiliated hotels to be promoted at such events is another cost-saving area as well as a business generating one. (These public relations services each gained one point).

(2) Human Resource Management Services.

It became apparent when evaluating the human resource management benefits carried out by hotel consortia that services offered in this area assisted member hotels without requiring the consortium organisation to become involved in the day to day running of member hotels. More unlike marketing services, these particularly were perceived to be oriented more closely to the operation and management of member hotels, becoming involved with personnel issues within such units. Table 4.6 lists the dimensions measured under this service range.

Table 4.6 Business Level- Human Resource Management Services.

<u>Dimensions</u>	<u>Score</u>
(a) Recruitment	1
(b) Job Descriptions	1
(c) Industrial Relations	2
(d) Management Training Scheme	3
(e) Craft Training Scheme	2
(f) Sales & Marketing Training Scheme	1

Human resource management services were identified distinctly in two ways from marketing services:

- (1) they are services which have more potential to influence the day-to-day running of member hotels; and
- (2) they are therefore also aligned more directly to individual rather than collective requirements of hotels.

The advantage of **personnel recruitment** through a consortium medium allows a larger pool of potential employees to be sort, assuming that they identify the potential of a larger employing body. In addition, costs are reduced in the selection and hiring of staff.

The establishment of **job descriptions** assumes a more individual tailored service, although these can be standard across participating hotels. (The score attributed to these two dimensions was one point).

The ability to receive **industrial relations advice** is obviously a clear advantage of the membership of a detached organisation, and therefore this dimension was attributed a higher score, assuming this a more sophisticated service contact.

Training schemes were found to be either provided in-house by the consortium organisation or contracted out to other organisations. The advantages of an enlarged hotel portfolio allows the movement of staff within the group and therefore a **management training scheme** becomes more widely based. It was felt that this service provided the largest longer-term benefit to hotel members and potentially could impact upon standardisation within the consortia portfolio. Linked to **sales and marketing** activities of consortia these offered training programmes for staff within the marketing function at member hotel level, (a score of one point was assigned to this dimension establishing it as an adjunct to other marketing services).

Traditional **craft training schemes** were the last human resource management services, these match the management training schemes, however, there is less potential for these services to impact upon the entire operation of hotel members due to their specific skill orientation, (two points were therefore awarded).

(3) Production-Oriented Services.

These largely refer to **purchasing services** which assist materially in the transformation of raw materials into finished goods and services. The advantages of collectivity are more important here, although individual hotels may tailor the products they actually order and buy from the purchasing scheme to their own needs.

Table 4.7 displays the dimensions and score assigned to these types of benefits.

Table 4.7. Business Level - Production-Oriented Services.

<u>Dimensions</u>	<u>Score</u>
(a) Purchasing (In-House)	2
(b) Purchasing (Contracted-Out)	1
(c) Buying Directory	1
(d) Purchasing Survey	2
(e) Product Branded Logo's	3
(f) Credit Card Facilities	1

Purchasing services maybe **in-house** or **contracted out** to another organisation by the consortium. Although through contracting another company, which may lead to the access to larger buying economies, the benefits of the hotel members are better served by an in-house division where their decision-making power may further establish a purchasing service for their own ends.

Therefore, an in-house facility received two points whilst only one point was awarded for employment of an external facility.

The main purchasing device is the **Buying Directory**, this gives features and terms for each product, non-perishable or otherwise. The more items that are

bought through this central purchasing scheme the more the consortium is able to continue or increase its bargaining power vis-a-vis suppliers, thus securing more favourable terms. In comparison, **Purchasing Surveys** relate to a more tailored service to member hotels embodying individual advice from purchasing executives related to their purchasing requirements and the best way to achieve them, resulting ultimately in cost-cutting advice. (The existence of this more sophisticated service scored two points whereas the collective utility of a Buying Directory one point).

Purchasing services also included the sale of **product logos**. Certain consortia stipulate the use of a specific number of items in member hotels which promote the consortium identity and image, such as name badges for staff, wrapped soaps and branded toiletries and so on. This service is therefore linked to the sales and marketing aspects of consortia, if the consortium portrays the 'branding' of hotels as an important marketing objective, such items will be made available for membership purchase, a higher score was therefore awarded to this benefit.

Lastly, the advantage of collective power can result in the ability for consortia, through liaison, to be able to offer discounts on the use of **credit cards** by hotel members in purchasing items. Indeed, certain consortia promote the fact that member hotels can repay their subscription payments within months of joining a consortia through using this service. As a purchasing service this is obviously less complex, but is an additional form of collective negotiation, and one point is awarded.

Functional Level of Consortia.

(Characteristics and Composition of Members).
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The membership of hotel consortia were assessed utilising the following four sets of parameters:

- **Market Level;**
- **Size;**
- **Corporate and Multiple Members; and**
- **Location.**

Due to the volatility of the information at this stage

- hotel members are continually joining and exiting consortia - far more changes to the collected data accorded between the two years of investigation. The analysis therefore documents both periods of time, reflecting changes to the consortia membership.

The problem with this is the comparability with the other two levels which assessed one set time period. However, it is felt that the two analytical years of study will assist rather than hinder the investigation, they will reflect the changes in the membership of these organisations whilst the corporate and business levels remain static. Table 4.8 displays the assessment of the membership across the sample. Unlike the other levels of analysis, each sample organisation will only be able to be scored against one dimension relative to each aspect detailed below.

**TABLE 4.8 Hotel Consortium at Functional level
HOTEL CONSORTIUM**

MARKET LEVEL CONSISTENCY OF HOTEL MEMBERS	PRESENT	SCORE	COMMENTS
70% HOTELS IN 1 STAR RATING		3	
80% HOTELS IN 2 STAR RATINGS, 1 STAR RATING OVER 50%		6	
80% HOTELS IN 2 STAR RATINGS, (EACH NOT OVER 50%) OR 3 STAR RATINGS		9	
70% HOTELS IN 2 STAR RATINGS, NOT LESS THAN 4 STAR RATINGS		12	
HOTELS IN 4 OR MORE STAR LEVELS		15	
AVERAGE SIZE OF HOTEL MEMBERS			
NOT EXCEEDING 19 ROOMS		2	
20-29 ROOMS		4	
30-39 ROOMS		6	
40-49 ROOMS		8	
50-59 ROOMS		10	
OVER 100 ROOMS		12	
NUMBER OF CORPORATE HOTEL MEMBERS			
NO CORPORATE HOTELS		1	
1-4 HOTELS		2	
5-9 HOTELS		3	
10-19 HOTELS		4	
20 OR MORE HOTELS		5	
NUMBER OF MULTIPLE HOTEL MEMBERS			
NO MULTIPLE HOTELS		1	
1-4 HOTELS		2	
5-9 HOTELS		3	
10-19 HOTELS		4	
20 OR MORE HOTELS		5	
GEOGRAPHICAL CONSISTENCY OF HOTEL MEMBERS			
4 COUNTIES OR LESS		3	
5-9 COUNTIES		6	
10-24 COUNTIES		9	
25-44 COUNTIES		12	
45 COUNTIES OR MORE		15	
Total Rating :			

(1) Market Levels of Hotel Members.

The following dimensions were utilised to assess the market levels of member hotels within each organisation. They were based upon the consistency within each consortia in terms of the market levels of respective hotel members.

Table 4.9 Functional Level - Market level.

<u>Dimensions</u>	<u>Score</u>
70% hotels in 1 star rating	3
80% hotels in 2 star ratings (1 star rating accounting for over 50%)	6
80% hotels in 2 star ratings (each not over 50%) or 3 Star ratings	9
70% in 2 star ratings, not less than 4 star ratings	12
4 or more star levels	15

The scores attributed to each of the five dimensions represent the difference between those consortia with a portfolio of hotels which are more consistent in terms of their market levels to those consortia that comprise hotel members from a diverse range of star categories. (Therefore, three points are awarded to a consortia which exhibits the maximum consistency in the star rating (or unclassified rating) of hotel members).

This aspect was considered important in displaying the characteristics of member hotels, although the star rating system is a voluntary system, it does give some important indication of the positioning policy of hotels in the marketplace.

Along with geographical characteristics, this category of dimensions were scored the heaviest, representing the importance placed upon this classification of hotels.

(2) Average Size of Hotel Members.

The average room sizes of hotels within each consortium formed the next set of dimensions at this level of analysis. Although not statistically loaded this is often a parameter utilised in the membership requirement of consortia and therefore this appeared the most realistic method of achieving some analysis of this aspect of member hotels. The limitations of this enquiry are therefore fully realised however and as these dimensions were less meaningful than the market level and geographical consistency of member hotels their scores are lower.

The dimensions used are shown in Table 4.10.

Table 4.10. Functional Level - Average Size of Hotel Members.

<u>Dimensions</u>	<u>Score</u>
Average size not exceeding 19 rooms	2
Average size between 20-29 rooms	4
Average size between 30-39 rooms	6
Average size between 40-49 rooms	8
Average size between 50-99 rooms	10
Average size over 100 rooms	12

Hotel Consortia exhibited the largest average room size of members were awarded higher points based upon the rationale that these are larger business units and in membership terms can offer not only increased subscription fees (which are usually calculated relative to the size of hotels) but also they potentially demand more from the consortium organisation in terms of business generation and so on.

(3) Number of Corporate Hotel Members.

The number of hotel members within each consortia which were owned/operated by a hotel company were calculated. The dimensions in Table 4.11 show the ranges that consortia were classified into. Although identified as a growing feature of consortia in the preliminary analysis, it was obvious that the majority of consortia members remained independently owned/operated. Therefore rather than overload the importance of a few members, the score detailed below are lower than those attributed to the other categories.

Table 4.11. Functional level - Corporate Hotel Members.

<u>Dimensions</u>	<u>Score</u>
No corporate hotel members	1
1-4 corporate hotel members	2
5-9 corporate hotel members	3
10-19 corporate hotel members	4
20 or more corporate hotel members	5

There is a limitation to these dimensions however, this relates to the fact that they do not take into account the relative number of corporate hotels in terms of total hotel members. In an evaluation of each consortium in the next section this element will be addressed.

(4) Multiple Hotel Members.

Table 4.12 shows the score related to the number of multiple hotel members. Similarly, to corporate hotels these are scored at a lower level than other attributes of the sample. Again the existence of a percentage of total multiple members in any one consortia will be evaluated in the sections following where each consortium is more closely detailed.

The higher the number of multiple members present amongst the sample organisations the higher the score employed.

Table 4.12. Functional Level - Multiple Hotels.

<u>Dimensions</u>	<u>Score</u>
No multiple hotel members	1
1-4 multiple hotel members	2
5-9 multiple hotel members	3
10-19 multiple hotel members	4
20 or more multiple hotel members	5

(5) Location of Hotel Members.

Due to the fixed nature of hotel supply it was deemed important that the sample hotels should be assessed in terms of their locational characteristics. The table below details the dimensions used at this level of analysis.

Table 4.13. Functional Level - Location of Hotel Members.

<u>Dimensions</u>	<u>Score</u>
Hotels in 4 counties or less	3
Hotels in 5-9 counties	6
Hotels in 10-24 counties	9
Hotels in 25-44 counties	12
Hotels in 45 counties or more	15

The consistency amongst hotel members of each consortium was evaluated in order to assess the level of locational specification. The score employed reflects the importance of this variable. The differences between representation in over forty-five counties to less than four counties aims to be able to display the distinction between consortia that are national in scope and those that are targeted regionally.

4.2 Sampling.

It was found that there is a lack of definitional consensus and that research was limited to studies relating to other cooperative organisational forms. A working definition was condensed from these studies to act as a basis for development of further sections of the research.

Such a definition was clearly important in the classification of the 'survey population' and a working definition of consortium was postulated to be:-

'an organisation of hotels which combine their resources to establish corporate management services such as marketing and promotional activities, purchasing and personnel and training.'¹

Sampling and identification formed part of the total industry structure analysis exercise. The task firstly required the identification of hotel organisations - individual hotels or hotel groups followed by the differentiation between those that fulfilled the requirements of the working definition of an hotel consortium and those that were identified as individual hotels or hotel companies.

The lead sources for identifying consortium organisations included industry media; quality press and media reports citing hotel groups in related industry articles; Keynote Reports; enquiries to national and regional tourist boards concerning hotel consortia operating as members of boards; trade associations lists of members, including the Hotel, Catering & Institutional Management Association, the British Hotel Restaurant & Catering Association and the Hotel and Catering Training Board; hotel guidebook publications such as 'Hotel & Restaurants in Britain', published by the Automobile Association (AA) (1986),

¹ It was however accepted that different consortia were likely to be diverse in their corporate and operational activities and that the analysis would ultimately show hotel consortia to be heterogeneous and dynamic in nature.

which identified those hotel groups which had five or more hotels within the Guide; and information collected from trade exhibitions, the most prolific being the World Travel Market held annually at Olympia in London.

To begin with, this identification process addressed a much wider assortment of organisations than was ultimately necessary for the scope of this study. As pointed out in Chapter 3 there is a diversity of hotel groups in the industry and hotel consortia are not required to be clearly differentiated from other types of hotel groups.

Several organisations were found to own and/or operate some or all of the hotels that they promoted and these were defined as hotel companies and considered beyond the scope of this analysis.

Initially, 31 hotel consortia were identified and preliminary information requested such as marketing brochures and promotional details destined for the membership of such firms. It was found from such information that additional differentiation could be made between those organisations which offered only limited services to hotels (eg., only referral business or a reservation network) and those that possessed the fuller set of characteristics pertaining to the working definition of consortia. The latter stresses incidentally, that 'significant and varied corporate management services' should be carried out by organisations in order that they may be classified as such. Further secondary information sources comprised the published literature of the consortia sample, indicating the development and present form of their portfolios (the hotels which comprise the organisation). These included, for instance, brochures, newsletters, contractual agreements, membership and operational data and promotional material. Correspondence directly with the chosen sample constituted an additional information source.

Two organisations were rejected on the grounds of providing only minimal services to hotel members. These were Swiss International Hotels and Key Hotels, on possession of additional information supplied by the firms themselves, they were found to warrant exclusion.

The primary fieldwork element was carried out over a two year period and therefore assumed that changes would occur in the sample due to the entry and exit of a number of organisations and the reformation of existing consortia.

In addition, if the extent of services within any one consortium differed adversely during this period, the firm would subsequently be excluded from the analysis.

In year one (1986) of the survey, 28 firms were identified using this definition, whilst the addition of one new firm in year two (1987) increased the total number of consortia in this latter period to 29.

Table 4.14 below documents the number of member hotels which comprised these organisations during this period of research.

Table 4.14. Number of Hotels in Consortia Sample.

	<u>Year 1</u>	<u>Year 2</u>
	1986	1987
Total Number of Consortia	28	29
Total Number of Hotels	1072	1238
Total Number of Bedrooms	56362	59395

The consortia sample are listed in the following tables (4.15 and 4.16).

Table 4.15. Hotel Consortia Sample - Year 1 - 1986.

Best Western Hotels
British Airways Associate Hotels
Concord Hotels
Concorde Hotels
Consort Hotels
ExecHotels
Golden Tulip Hotels
Guestacom
Hospitality Hotels of Cornwall
Hospitality Hotels of Northern Ireland
Independent Llandudno Hotels
Inter-Hotels
Leading Hotels of the World
MinOtels
Nikko International Hotels
Preferred Hotels
Prestige Hotels
Pride of Britain Hotels
Relais du Silence Hotels
Relais et Chateaux Hotels
Romantik Hotels and Restaurants
Smugglers Coast Tourism Group
Southampton Tourism Group
Star Collection Hotels
Thames Valley Hotels
Viking Hotels
Wester Ross Hoteliers Association
Yorkshire Rose Hotels

Table 4.16. Hotel Consortia Sample - Year 2 - 1987

Best Western Hotels
British Airways Associate Hotels
Concord Hotels
Concorde Hotels
Consort Hotels
ExecHotels
Golden Tulip Hotels
Guestaccom
Historic and Romantik Hotels (*)
Hospitality Hotels of Cornwall
Hospitality Hotels of Northern Ireland
Independent Llandudno Hotels
Inter-Hotels
Leading Hotels of the World
MinOtels
Nikko International Hotels
Preferred Hotels
Prestige Hotels
Pride of Britain Hotels
Quality International Hotels
Relais du Silence Hotels
Relais et Chateaux Hotels
Smugglers Coast Tourism Group
Southampton Tourism Group
Star Collection Hotels
Thames Valley Hotels
Viking Hotels
Wester Ross Hoteliers Association
Yorkshire Rose Hotels

- (*) Consortium underwent a name change in the second year, (previously known as Romantik Hotels & Restaurants).

Identifying and analyzing the supplier strategies of hotel consortia presented a problem in how best to evaluate and select an appropriate methodology suitable to a study of this area. Clearly a 'snapshot' view would be less meaningful than one which would take into account evolutionary changes in this sector over the period of study. Thus, it was decided to develop a computerised data-gathering system which could provide the facility of continuous update and analysis. Consequently a database system was found to be most relevant in allowing both for continual update and the retrieval of different interpretations based on a common data source.

The database was designed to hold information relating to the portfolios of the sample hotel consortia centrally at the sponsoring establishment. This allowed not only for the portfolio information to be accessed efficiently but also for the data to be analyzed in a relational manner.

In addition, the use of a relational database enabled the tracking of changes in the membership of these organisations over time. Similarly, the database system allowed for each hotel to be classified by more than one organisation type. This was considered important as in the initial identification of consortia, many hotels appeared to be affiliated to more than one consortium group. Hotels which belonged to more than one consortium were termed 'multiple members' and hotels which were owned/operated by a hotel company (rather than being independently owned/operated) were termed 'corporate members'.

As a guide, Figure 4.1 shows the structure of the database. Details were held for each hotel and each hotel consortium and company. Membership details, which form the relational link between these two aspects may be replicated, depending on the ultimate ownership of the hotel and the number of

consortium to which any one of the hotels was affiliated. A 'dummy' company known as 'independently owned/operated hotels', was entered to take account of this sector of the industry.

Figure 4.1. Structure of the Database.

Company/Consortia File	
Organisation Number (1)	
Name	
Address	
Telephone Number	
Owner/Operator:	Yes/No
Franchise:	Yes/No
Management Contract:	Yes/No
Consortium:	Yes/No
Membership File	
Organisation Number (1)	
Hotel Number	
Type of Membership:	Company/Consortia
Hotel File	
Hotel Number (1)	
Hotel Name	
Town	
County	
Star (2)	
Number of Rooms	

KEY:

(1) These fields are arranged as "key identifiers", that is they are linked together within the database to allow for a relational analysis.

(2) To calculate market level the Automobile Association (AA) Classification Scheme was used. This is the most widely known and comprehensive scheme available and is described by the AA as follows:

‘The basic requirements which every AA appointed hotel must fulfil are that the bedrooms should have hot and cold running water, there should be adequate bath and lavatory arrangements, and there should be service of all main meals (with choice of main dishes) to residents. As with the classification system it often happens that a hotel may satisfy some of the requirements for a higher classification than that awarded:-

* Good hotels & inns, generally of small scale and with good furnishings and facilities.

** Hotels with a higher standard of accommodation. There should be at least 20% private bathrooms or showers.

*** Well appointed hotels. Two-thirds of the bedrooms should have private facilities; at least one-third must have baths.

**** Exceptionally well appointed hotels offering high standards of comfort and service. All bedrooms should have private facilities; at least two-thirds must have baths.

***** Luxury hotels offering the highest international standards; in provincial 5 star hotels, some of the services may be provided on a more informal and restricted basis.'

The extended analysis involved studying three organisations in more depth and therefore involved additional sampling ramifications. Three hotel consortia were identified for further analysis, forming a cross representation with the initial analysis, discussed above.

These were as follows:-

- Best Western Hotels,
- British Airways Associate Hotels, and
- Prestige Hotels.

Although being similar in competing by serving both national and international markets the three consortia possessed differing competitive profiles and as such were unique in their own right and, as far as possible, representative of the various groupings.

In addition, individually they each displayed contrasting ownership characteristics, their ultimate owning organisations being as follows:-

Best Western Hotels - International franchisee of Best Western International Co.

British Airways Associate Hotels - Wholly-owned subsidiary of conglomerate, British Airways Ltd.

Prestige Hotels - Single product firm - Prestige Hotels.

The lead sources for this extended analysis included semi-structured interviews with executives within these four organisations as well as additional secondary data supplied at the time of these visits to headquarters offices. These latter sources included marketing and promotional plans, membership prospectus, mission and strategic statements and operational reports.

Interviews were designed to solicit information along the following lines (see questionnaires in Appendix 1):

- History of organisation (origin and formation of consortium);
- Products offered to members and end-users;
- Market scope - membership and end-users targeted;
- Competitor analysis and consortium positioning;
- Membership processes;
- Formalised Organisation Structure;
- Decision-making processes and resource commitment; and
- Present and future strategic intent.

CHAPTER 5. EMERGENT HOTEL CONSORTIA STRATEGIES AND STRUCTURES.

This chapter analyses the emerging strategic groupings of hotel consortia. The first section sets out the research parameters and their relationship to the consortia database in Appendix 2. Whilst the second section analyzes these findings in order to construct strategic groupings of hotel consortia. Utilising the theoretical fields reviewed earlier this second section goes on to evaluate the resultant groupings emerging from the sample.

5.1 Evaluation of the Field Work Sample.

Each hotel consortium was evaluated employing the dimensions forwarded in the previous chapter (4.1). Appendix 2 contains descriptions and data relating to each consortium studied along the three dimensions at corporate, business and functional levels. The following analysis derives from the detailed information appearing in Appendix 2 which relates to strategic and structural information appertaining to each consortium.

5.2 Emergent Consortia Strategic Groups.

The aim of this section is to **identify and isolate specific strategy and structure issues** of the consortia in order to differentiate and construct **strategic groupings**.

In the analysis of the characteristics of the structure of the industry it was judged that industry participants need to enact strategies that result in the **ability to access a wide range of customer markets**, in order to gain some protection from market fluctuations. In addition, to **counter the negotiating power of particular customer groups** the growth in size of industry participants and the implementation of branding strategies can be enacted. Additionally, the ability to **reduce supplier power** through the purchase of large quantities of goods (often standardised products) is an additional strategic option for the organisation seeking to gain competitive advantage.

The above yardsticks form the basis for the isolation and strategic evaluation of hotel consortia, leading to the identification of sub-groupings under this common description. No attempt is made to produce a detailed cross-comparison of consortia with other forms of industry participant, given the extent of variation between consortia forms themselves - conditions which significantly influence the nature and scope of this study in the first place. However, the **inter-organisational viewpoint** ie., competition amongst consortia and other firms comprising the industry is addressed but the **intra-organisational perspective** ie., the interaction between consortia organisations and their members represents the major analytical thrust.

The Goals and Objectives of Hotel Consortia.

Goals and objectives can be observed within most firms, either explicitly or implicitly. Similarly, within organisations which have developed into multi-industry firms the relationship of the parent will influence the objectives of the business unit. This point is particularly relevant to the certain companies comprising the field sample, which are subsidiaries of larger, conglomerate firms.

The majority of the consortia sample analyzed were found to be **single product firms** and therefore involved in no other activities. This single product strategy equates to the implicit goal of the provision of services to hotel members. Exactly how this goal is achieved and therefore the strategic position of the different consortia within the marketplace is viewed through the scope and resource commitments of these firms.

Conglomerate firms were also found to operate hotel consortium subsidiaries. The field sample resulted in a variety of diversified firms being witnessed which were involved in consortium operation.

Diversification strategies of firms have resulted in different integrated business forms. Such amalgamation is in the form of horizontal or vertical integration. The former refers to an extension of the same range of products to the same product groups whereas integration involves vertical extension of a business towards the marketplace or backwards to the sources of supply. Conglomerate firms which operate hotel consortia can be classified along these lines as shown in Table 5.1. Consortia which are extensions of their parent organisation's existing business, such as those operated by regional tourist boards, can be defined as subsidiaries of **horizontally integrated** corporations; as can those hotel owning/operating companies which provide consortium services and affiliations.

As previously noted the one consortium representing an additional service to existing customers, British Airways Associate Hotels (BAAH), is the result of **forward vertical integration** by the parent company. The aspect which requires to be established is the parent's need for these consortia or business units, especially in light of corporate goals. In other words, the strategic importance the parent attaches to the consortium in terms of its overall corporate strategy, and the impact upon the objectives set by the hotel consortium.

Table 5.1 Consortia operated by Conglomerate Organisations.

<u>Horizontally Integrated:</u>	
(1)	Extension of Existing Business Smugglers Coast Hotel Group Southampton Tourism Group Thames Valley Hotels Viking Hotels Wester Ross Hoteliers Association Yorkshire Rose Hotels
(2)	Extension of Hotel Operating Company: Concorde Hotels Golden Tulip Hotels Nikko Hotels International Quality International Hotels

<u>Forward Vertically Integrated Company:</u>
British Airways Associate Hotels

At the time of the investigation the prime customer group targeted by British Airways was the business traveller, and thus a main aim was to increase this customer base. However, strategically BAAH can be viewed as a peripheral rather than core business of the parent company (structured within the Associated Companies division). Although not necessarily the key to the future of the parent organisation, its main activity being transportation, tactically, BAAH can be viewed as an important part of the airline's aim to increase the business traveller customer base of the parent organisation.

Horizontally integrated corporations such as the **regional tourist boards** or **the local government office** are committed to the promotion of a range of tourism-related products. The former's controlling bodies, the English and Scottish Tourist Boards are required to achieve the overall aim of promoting England or Scotland to the British population. The consortium operating under the auspices of these two larger bodies are similarly constrained in the objectives they set. Ultimately, they seek to promote hotel products in their specified areas or regions, primarily to the domestic market.

In recent years the regional tourist boards have also been required to achieve additional funding from the commercial sector, an objective related to the **efficiency** of such statutory bodies. This objective has obvious implications as it expands the potential stakeholders who may require direct involvement in the strategic decision-making of such bodies or significantly influence such decisions, indirectly.

The operation of hotel consortia reflects this shift in strategic orientation, as they generate additional income through their subscription and commission payments. However, it is assumed that as such, these still operate on a not-for-profit basis and that the services provided by the tourist authority are merely supplemented by this additional income.

Ultimately, the promotion of hotels specifically by these bodies represents an **extended objective** in terms of the promotion of tourism products overall. This is for example, reflected by the Southampton Tourism Group whose main objective is 'to attract more visitors and more business to the area of the Group and specifically to its members'.

Involvement by **hotel companies** in the business of hotel consortium services reflects the enactment of a **growth** objective by companies which maybe on both a national and international scale. This maybe seen as a means of expanding their hotel portfolio without any form of equity involvement. However, there is a question over the **performance** implications of such an aim. Although a form of external diversification which does not involve equity commitment, in terms of income generated from such affiliations it must result in a lower return than other forms of non or partial equity involvement.

Nikko Hotels International and Golden Tulip Hotels although operated by hotel companies, are owned by airline conglomerates. In these two cases it may be assumed that the consortia set goals related to and constrained by not only the hotel company but also the ultimate transport group.

Strategies and Structures amongst the field sample.

1.Scope Commitment.

The first component of an organisation's strategy is reflected in its scope commitment; that is the extent of the organisation's present and planned interactions with its environment. These responses may refer to the breadth or range of customer groups targeted and the resulting product segmentation - whether the organisation competes in a smaller or larger number of customer and product markets - as well as the geographical scope of the organisation's operations.

The concept of scope commitment in the case of hotel consortia is more complicated to assess as it is evident there are **two inter-connected customer groups**. The immediate customers for hotel consortia services are clearly **member hotels**, but in terms of competing within the hotel industry, hotel consortia rival other sets of firms in order to capture certain targeted **end-user groups** (ie., scope commitments in the first instance include the customer groups targeted - hotel members). The extent and range of services provided to hotel members allows both an appraisal of different consortia's ability to access end-user markets (specifically through those marketing services provided) and an assessment of their capabilities in terms of countering supplier power (through production-oriented services).

In terms of the missions of consortia, defined as their domain or scope, it is evident that there will be variations in relation to the range of hotel customers, product/service offerings and geographical reach.

Table 5.2 describes how the scope commitments of the field sample may be differentiated through the allocation and evaluation of certain strategic variables.

The market scope of the consortia sample forms the first level of analysis (See Appendix 3 for a classification of the sample in terms of this strategic variable). The characteristics of the hotel industry are reflected per se in the market characteristics of consortia. Elements such as the concentration of hotels in London, the small number of five-star hotels and the multiplicity of independent hotels are represented in the consortia memberships.

However, it is evident that overall **independent hotels represent the main type of hotels**, in terms of ownership attributes and buying consortia services and that the majority of consortia are aimed specifically to match this demand.

Table 5.2 Variables describing Strategy amongst Hotel Consortia Sample -
Scope Commitments.

Strategy Dimension
<u>Range of Market Segments - Market Scope</u>
<ul style="list-style-type: none"> * Location and market levels of hotel members (focused to wide ranging). * Size of members (small to large). * Ownership characteristics of members (independent or corporate).
<u>Types of Products - Product Scope</u>
<ul style="list-style-type: none"> * Commitments to revenue generation (breadth observed as ranging from narrow to wide). * Commitment to business efficiency (breadth observed as ranging from narrow to wide).
<u>Spatial Reach</u>
<ul style="list-style-type: none"> * Internationalisation either in terms of hotel members and/or international representation (assuming foreign sales).

Due to the lack of a regulatory classification system in terms of the market level characteristics of member hotels, it is difficult to be precise as to the exact positioning of these hotels. However, as the analysis will show there are several consortia that appear more distinctly focused to serve specific market levels.

Although the majority of the consortia sample are not distinctly focused in terms of all the identified market characteristics. Ten were shown to exhibit different market segmentation strategies listed below:

<u>Segmented by Location</u>	<u>Segmented by Ownership</u>
Independent Llandudno Hotels	British Airways Associate Hotels
Smugglers Coast Hotel Group	MinOtels
Southampton Tourism Group	Relais et Chateaux
Wester Ross Hoteliers Association	Pride of Britain Hotels
Viking Hotels	

An important aspect noted amongst those geographically segmented consortia, is that **location often serves as a dominant characteristic of member hotels**. A current trait seemingly not developed by any previous related research is the **inclusion of corporate hotels by consortia**.

These types of hotels will, in intra-organisational terms, exhibit distinctive positioning within consortia due to the additional benefits of company ownership.

Although a number of consortia draw membership from these hotel types only one organisation in particular, BAAH, serves to provide benefits purely for this sector of the market. Within this organisation, regional location is not a predominant prerequisite for membership, although the consortium requires hotel members to be near to airport locations in this country or nearby municipalities.

In linking the market scope of BAAH to its ultimate owning organisation, in order to achieve the objective of serving the airline's frequent business traveller it is obviously perceived that these types of hotels match this extended service strategy. However, there are further underlying elements, although not locationally targeted to a particular region, the predominance of large, corporate hotels positioned at the higher market levels in these situations perhaps serves to relate location again a predominant market feature. This example adds a new dimension to strategic behaviour within this sub-sector of

the hotel industry as the hotel units targeted by BAAH are able to potentially gain dual protection or additional collective strength through **hotel company and consortia affiliation**, depending upon the product scope of this consortium.

The remaining consortia are focused towards the other end of the spectrum, where independent hotels exclusively make up the membership. The stress on the autonomy of member hotels reflects the original concept of hotel consortia forwarded by authors such as Pickering et al. Although not locationally targeted, they can be seen to provide services to a sector of the market that in their view require specifically consortia representation.

Finally, two consortia, Consort Hotels and Prestige Hotels are found to reflect **the broadest market scope**. Members are drawn from a wide range of market levels, are of different sizes and comprise both independent and corporate hotels.

The **breadth of product range offered by the sample hotel consortia** reflects the customer markets targeted (Appendix 4 identifies the breadth of product range of the sample). If a consortium is able to integrate in a beneficial way, ie., through countering some of the power of firms comprising these markets it is clearly able to compete more successfully in the hotel industry. It also follows that hotel members will in addition be positioned more favourably vis-a-vis those competitors outside of the consortium. Five consortia, listed below, are shown to operate the **greatest expanse of product range**:

Revenue Generation	Business Efficiency
Wide Range	Wide Range
Best Western Hotels Consort Hotels Inter-Hotels	MinOtels Quality Intl Hotels

These five provide a **wide range of business generation and efficiency services**. In the case of Consort Hotels, its relative mass market appeal is matched by the provision of an extensive set of products.

Best Western Hotels provides the greatest product range of the total sample allowing it **some differentiation within this industry sub-sector**.

At the other end of the spectrum, a group of four hotel consortia display the **narrowest range of services**:

Revenue Generation	
Narrow Range	None
Independent Llandudno Hotels Pride of Britain Smugglers Coast Hotel Group	Concord Hotels

Concord Hotels is distinctly focused upon services related to human resource management whilst the other three consortia display the narrowest range of services related only to business generation. The latter's narrow product range is linked to focused market segments - services provided being restricted to locational marketing.

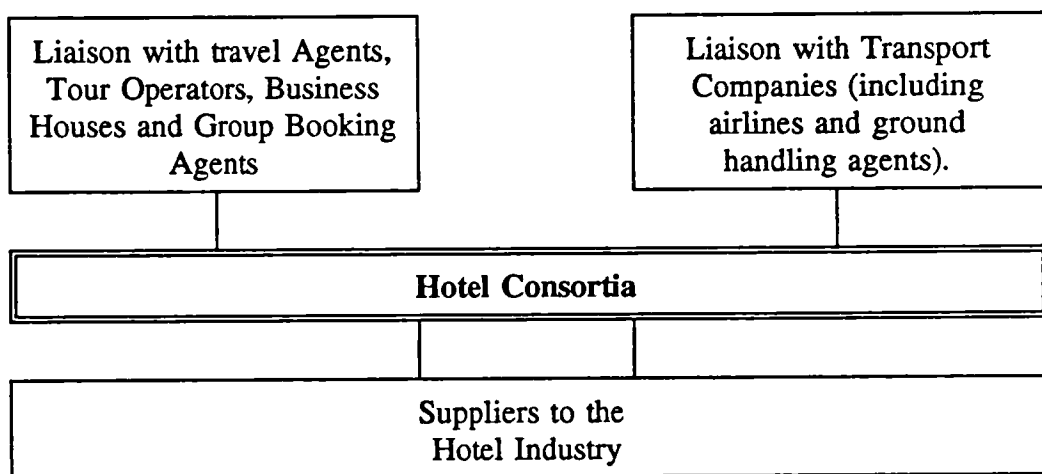
With the exclusion of Star Collection Hotels, all those consortia which are more locally positioned provide only medium to low product ranges. This 'locational marketing' factor thus correlates with less extensive business generation services and can be contrasted with consortia which specifically avoid targeting hotels in this regional category.

Other consortia are not specifically positioned in terms of their product ranges although the majority concentrate upon business generation products.

The yardsticks for successful operation within the hotel industry, in terms of the business generation abilities of firms, relate to the **level of interaction required with organisations outside of the hotel industry**. The necessity to gain more advantageous arrangement with supplier groups for example may involve interaction with organisations external to the hotel industry and these aspects are reflected in the standard of overall services of hotel consortia. Hotel consortia are thus part of a **'vertical stream of activities'** (Bidault, Laurent and Segla, 1992).

A model of the broadest integration possible amongst consortia with other industries is depicted in Figure 5.1.

Figure 5.1. Integration in a vertical stream of industries.



In relation to the above model, only Best Western Hotels was judged to provide those **services encompassing all the stages of such activity**. It integrates fully with external industries through liaison with organisations in all of the forwardly integrated sectors and through providing production-oriented services which enable it to counter some of build up bargaining power.

The following consortia are classified together due to their interaction with certain external buyer and supplier industries:

- Consort Hotels
- Inter-Hotels
- Nikko Hotel International
- Quality International Hotels

Those consortia operated by airline groups are able to gain from their parent's vertical integration. They all, for example, combine with business houses in terms of external liaisons, depicting their end-user orientation. Liaison with airline and ground handler agents of course takes on a different strategic significance with these consortia as the core activity of their owning organisations means that such synthesis is internal rather than with an outside industry. Further, this close association must enable these consortia to gain **competitive advantage** over those other consortia which may wish to liaise with their vertically integrated owning organisations.

A further aspect of these vertically integrated firms is reflected by BAAH. The external marketing facilities it provides when applied to the results of the market segmentation of this consortium, indicate **the lack still of any monopoly domination by hotel company units in targeting certain consumer market sectors.**

However, as stated above, due to the core activity of this consortium's parent organisation, corporate hotels are able to more closely liaise through consortium membership with this transport intermediary.

Although the interaction with suppliers to the industry is judged to be important in developing competitive advantage, only eight from the sample of twenty-nine consortia offer production-oriented products such as purchasing arrangements. These consortia however confirm the correlation between the

relative size of operation and the ability to negotiate on more favourable terms with suppliers.

All of the consortia, excluding Wester Ross, are amongst the largest organisations in terms of the number of hotel rooms represented and comprise:

- Best Western Hotels
- Consort Hotels
- Inter-Hotels
- MinOtels
- Prestige Hotels
- ExecHotels
- Guestaccom
- Wester Ross Hoteliers Association

Table 5.3 describes the development of particular vertical links observed in the sample consortia, designed to improve services and enhance bargaining power.

Table 5.3 Strategies to Counter Bargaining Power.

Transport Linked & Business/Corporate Schemes	
<u>Transport Linked Packages</u>	<u>Business/Corporate Schemes</u>
Best Western Hotels	Best Western Hotels
Concorde Hotels	BAAH
Consort Hotels	Consort Hotels
Inter-Hotels	Golden Tulip Hotels
MinOtels	Inter-Hotels
Star Collection Hotels	Leading Hotels of the World
Quality International Hotels	Nikko Hotels International
	Quality International Hotels
Group Booking Service & Travel Agents Liaison	
<u>Group Booking Service</u>	<u>Liaison with Travel Agents</u>
Best Western Hotels	Best Western Hotels
Consort Hotels	Consort Hotels
Hosp' Hotels of Northern Ireland	Golden Tulip Hotels
Inter-Hotels	Hosp' Hotels of Northern Ireland
Leading Hotels of the World	Inter-Hotels
MinOtels	MinOtels
Nikko Hotels International	Nikko Hotels International
Preferred Hotels	Preferred Hotels
Relais et Chateaux	Relais et Chateaux
Star Collection Hotels	Star Collection Hotels
Quality International Hotels	Quality International Hotels
<u>Liaison with Tour Operators</u>	<u>Airline & Ground Handlers Agents</u>
Best Western Hotels	Best Western Hotels
Consort Hotels	BAAH
Hosp' Hotels of Northern Ireland	Golden Tulip Hotels
Inter-Hotels	Nikko Hotels International
MinOtels	Preferred Hotels
Nikko Hotels International	
Relais et Chateaux	
Star Collection Hotels	
Quality International Hotels	

Finally, in terms of an analysis of the scope commitments of the consortia sample the **spatial or geographical reach of market activity** was determined by the multinational operation of hotel consortia - defined as membership of hotels in territories outside of the country of origin of the consortia - and international representation. Those consortia which possessed high spatial reach are displayed in Table 5.4.

Table 5.4. Consortia with High Spatial Reach.

<u>International Hotel Members</u>	<u>International Representation</u>
<p>BAAH Concorde Hotels Golden Tulip Hotels Inter-Hotels Leading Hotels of the World Nikko Hotels International Preferred Hotels Prestige Hotels Relais du Silence Relais et Chateaux Historic & Romantik Hotels Quality International Hotels</p>	<p>BAAH Concorde Hotels Consort Hotels Golden Tulip Hotels Inter-Hotels Leading Hotels of the World Nikko Hotels International Preferred Hotels International Relais du Silence Relais et Chateaux Quality International Hotels</p>

- Key
- (1) **International Hotel Members** = consortia with hotel members in more than one country.
 - (2) **International Representation** = consortia with overseas offices and/or are represented overseas by affiliated organisations.
 - (3) **Highlighted consortia** are represented in both categories.

The importance of the international representation of hotels has been established earlier and relates to the significance of foreign tourists for this sector.

Those consortia which offer international promotional facilities via overseas offices allow the organisation, on behalf of its members, access to increased markets. With the exception of Consort Hotels, **international representation appears to be tied explicitly to international operation of hotel consortia.** In other words those consortia with members in countries in addition to the UK also market UK members abroad through sales offices.

Prestige Hotels and Historic and Romantik Hotels rather than operating sales offices utilise hotel members to recommend hotel members in other countries. Again correlation between the ownership and goals of consortia is evident, all those consortia owned by international airlines being embodied here. Only three consortia, BAAH, Inter-Hotels and Prestige Hotels originate from this country, the remainder reflecting the internationalisation strategies taking place amongst foreign consortia and the attraction of the UK for such expansion. This relates not only to the importance of overseas tourism to the UK but also the specific characteristics of the structure of the hotel industry.

2. Resource Commitments.

The strategic variable utilised to describe resource deployments is defined as the level and patterns of past and present resource and skill deployments that will help to achieve organisations' goals and objectives. This component also relates to the organisation's **distinctive competencies**, relative to the industry setting. Table 5.5 displays the variables used to assess this strategic element amongst the sample of hotel consortia.

Table 5.5 Variables Describing Strategy amongst Hotel Consortia Sample - Resource Commitments.

Strategy Dimension
<u>Size</u>
* The absolute size of the hotel consortium - total number of hotel rooms represented.
<u>Functional Expertise</u>
* Number of full-time employees. * Functional executive heads.

From the earlier analysis it was shown that the ability to successfully enact scope commitments depends upon the levels and patterns of resources and skills deployed. It is successfully matches between these two elements which ultimately results in an organisation gaining a unique position vis-a-vis its competitors.

The **size of the firm** influences the ability to allocate different amounts of resources. In relation to hotel consortia, income increases as the membership increases, although it is accepted that individual subscription levels (the main source of income) vary amongst these consortia. The absolute measure of size is taken to be the total number of rooms each consortia assuming this correlation between income and the size of membership. Table 5.6 displays the differences amongst the consortia sample in terms of their absolute size and Table 5.7 shows the number of rooms for the six largest consortia.

Table 5.6 Absolute Size of Hotel Consortia.

Continuum of Size of Hotel Consortium.



Table 5.7 Market Share of the largest Consortia - 1987.

Hotel Consortium.	Total Number of Rooms (1987).
Consort Hotels	10,918
British Airways Associate Hotels	10,066
Best Western Hotels	8,772
Golden Tulip Hotels	5,305
ExecHotels	3,394
Inter-Hotels	2,438

The analysis earlier pointed to the size of consortia being an important factor in improving buying power with the industry's suppliers. Five of the consortia listed above (BAAH does not offer production-orientated services) show evidence of this relationship via their service to member hotels.

The following consortia are only of a medium-size in the range 1500-1300 number of rooms:

- MinOtels
- Prestige Hotels
- Guestaccom

However, the latter two consortia warrant additional explanation. Prestige Hotels was found to employ an outside agency to carry out purchasing arrangements on behalf of its member hotels. **This dependence upon an outside agency** the consortium to overcome its apparent disadvantage in terms of organisational size. The external agency in being contracted to a number of organisations, is able to wield increased buying power vis-a-vis suppliers. Prestige Hotels also employs other external agencies, as do several other organisations and this aspect is expanded further below.

Guestaccom is a medium-sized consortium having an ownership advantage which allows it a distinct access to resources. Guestaccom and ExecHotels are jointly owned and their purchasing power is enhanced through the amalgamation of both sets of consortia members. Their combined organisational size is 4,646 rooms (ExecHotels' 3,394 rooms and the 1,252 rooms represented by Guestaccom).

The majority of consortia produce products to satisfy relatively small market demands, reflectant of their limited product scope. In contrast, consortia such as Best Western Hotels and Consort Hotels are able to budget for higher income levels as the broad extent of their services must also be reflected in the higher levels of their subscription fees. This is in comparison to consortia such as Independent Llandudno Hotels and Smugglers Coast Hotels which not only have a small membership base but also through providing a focused but minimal range of services, are clearly unable to secure the high subscription levels related to the latter two groups. Although providing some degree of low cost position, this does not allow for the wider strategic advantages which generally rely on bargaining power and associated benefits of economies of scale.

Consortia Staffing and Shared Facilities.

It could be argued that the financial power of consortia is correlated with the number of functionally expert staff hired and indeed this is reflected in the single product firms of Best Western, Consort and Inter-Hotels (see Table 5.8 for an indication of comparisons among the consortia).

Table 5.8 Number of Full-time Employees.

Continuum of Functional Expertise -
Full-time Employees.

Large Relative Number of Full-time Employees

Best Western Hotels

Consort Hotels



Inter-Hotels

MinOtels

Prestige Hotels

Quality International Hotels



BAAH

Concord Hotels

ExecHotels

Golden Tulip Hotels

Guestacom

Hospitality Hotels of Cornwall

Hospitality Hotels of Northern Ireland

Independent Llandudno Hotels

Leading Hotels of the World

Nikko International Hotels

Preferred Hotels

Pride of Britain Hotels

Southampton Tourism Group

Star Collection Hotels

Thames Valley Hotels

Viking Hotels

Wester Ross Hoteliers

Yorkshire Rose Hotels



Concorde Hotels

Relais du Silence

Relais et Chateaux

Historic & Romantik Hotels

Smugglers Coast Hotels

**Small Relative Number of Full-time Employees/
No. of Employees.**

Related to the link between membership, income and the number of personnel engaged, it is significant that these also employ the greatest number of full-time equivalent employees across the twenty-nine consortia surveyed. However, there are other related consortia which need further exploration and these are developed below.

The following consortia have previously been identified as being part of vertically or horizontally integrated organisations:

- BAAH
- Golden Tulip Hotels
- Quality International Hotels
- Nikko Hotels International
- Thames Valley Hotels
- Yorkshire Rose Hotels
- Concorde Hotels
- Wester Ross Hotels
- Smugglers Coast Hotels
- Viking Hotels

Depending upon the complementary nature of their activities and relationship with parent organisations these consortia all have the **potential to gain cross-subsidies** in terms of the products offered to hotel members. It is clear that in the case of the first four consortia, facilities would need to be shared with their parent firms, otherwise it would be *difficult* to offer the range of products they do, based upon only minimal staff in this country.

Those consortia which are horizontal extensions of hotel operating/owning companies have **close synergistic relations with their immediate parent firms**, common services obviously being allocated across the whole organisation. This results in their ability to achieve some level of cost leadership. For example, the global distribution systems handled by the major airlines mean that consortia owned by these transport groups (eg., BAAH) are able to take advantage of the reservations systems operated by their parents. Correspondingly, the subsidiaries of regional tourist authorities are able to

offer products to consortia members which are part of their larger owning organisation. Added to this, the local specialisation of these regional boards may result in securing skill-based advantages through operating similarly focused consortia.

The use of shared facilities allows these consortia a cost advantage over other consortia, in relation to the services extended to member hotels with perhaps less distinct ownership advantages. This somewhat negates the argument that the size of hired staff may be correlated with financial power.

Additionally, Prestige Hotels and Historic and Romantik Hotels, although not operating overseas sales offices, are able to take advantage of their international hotel members in the referral of trade across all hotels. This allows them certain savings in terms of the resource obligations involved in international promotion.

A parallel debate also involves the number of full-time functional executive heads employed by each consortia (see Appendix 5). Only the following consortia had relatively large number of full-time executive heads employed specifically within the consortium organisation:-

- Best Western Hotels
- Consort Hotels
- Inter-Hotels
- MinOtels

The number of functional executive heads employed equates to the actual or potential ability of these consortia to provide the most comprehensive services to members.

Out-Sourcing.

Several consortia require additional examination in respect of services provision. Table 5.9 shows those consortia that contract-out certain services to members, which has obvious resource implications.

Table 5.9 Hotel Consortia who depend upon outside agents for the provision of certain services.

<u>Hotel Consortium</u>	<u>Services provided</u>
Concorde Hotels	Central Reservation System
Consort Hotels	Central Reservation System
Preferred Hotels	Central Reservation System
MinOtels	Overseas Representatives
Pride of Britain Hotels	Overseas Representatives
Prestige Hotels	All Services to Hotel Members

Although the internal provision of particular services can be seen as 'devotion' to resource commitments. Several of these consortia utilise such **external resources in order to gain the effect of economies of scale not normally available to them** as smaller more nationally oriented organisations. It is evident that competitive advantage may be gained both internally and externally through such decisions relating to resource deployments.

Prestige Hotels is an extreme example of external sourcing in that it 'buys-in' all of its functional specialisations. The potential loss of control over these external services is clearly a disadvantage, but the gains in the level of services that its size would not normally allow must outweigh this.

3. Corporate Structure and Processes.

Consortia Size and Structure.

Strategies enacted by organisations can be seen to be formalized through the development of an administrative structure - the structure of an organisation should therefore follow from its strategy. Aspects of the administration of the consortia sample have already been addressed in part; in the preceding analysis concerning resource commitments. However, several important distinctions exist amongst the sample in terms of their corporate structure arrangements and these deserve further explanation.

Organisational size has an influential affect upon the level of formalization and complexity of firms' planning systems (Hofer and Schendel, 1987).

Consort Hotels and Best Western Hotels (two of the largest consortia in terms of absolute size) employ the largest number of corporate level employees and exhibit relatively large structures organised on functional lines; a reflection the extent of the product scopes. A correlation between the size of these consortia and the sophistication of their organisation structures is therefore evident in these two examples. Other consortia such as Inter-Hotels, MinOtels and ExecHotels and Guestaccom (jointly controlled) also possess more formalised corporate structures. Although in absolute size terms these are smaller consortia it is the number of hotels (rather than rooms) they represent which appears to lead to a more formalised structure.

Best Western and Consort Hotels are characterised as exhibiting relatively low levels of 'organicity' (the degree of loose and flexible organisation structure (Khandwalla, 1977)) defined as such due to the presence of a formalized structure. The remaining single product consortia (Inter-Hotels, Minotels, ExecHotels and Guestaccom) on the other hand all possess far higher degrees of organicity.

This finding can also be related to elements such as the smaller size of these consortia (in terms of the number of member hotels) and their narrower product and market scopes.

The majority of the consortia sample remained largely underorganised. However, consortia which are part of conglomerate organisations exhibit different structural characteristics. They appear to display clear structural relationships with their owning organisations. The consortium organisation is usually encompassed in the hotel subsidiary division. In the majority of cases the consortium subsidiary was contained within a formalised structure, often with low levels of 'organicity'. Although the corporate structures of these owning organisations were not specifically analyzed, there are signs that the size and strategic scope of these integrated firms resulted in complex organisation structures.

An additional feature found amongst certain hotel consortia was the participation of hotel members in the decision-making process of the organisation. In terms of strategic choice **the dominant coalition encompasses not only top management but also hotel members.** The following list shows those consortia which operate some sort of non-executive committee structure (the mechanism used for the involvement of member hotels):

- Best Western Hotels
- Concord Hotels
- Consort Hotels
- ExecHotels
- Guestaccom
- Inter-Hotels
- MinOtels
- Prestige Hotels
- Pride of Britain Hotels
- Relais du Silence
- Relais et Chateaux
- Smugglers Coast Hotels
- Star Collection Hotels
- Thames Valley Hotels
- Wester Ross Hoteliers Association

Those divisional organisations of international consortia are not significantly involved in the strategic decision processes enacted by their foreign parent. A loose structure in order to encourage camaraderie amongst member hotels who are isolated regionally from their overseas associates.

An administrative system can be described as either a lagging or leading variable. In the former, the administrative system must rationalise the strategic decisions made at previous points in the adjustment process (Miles and Snow, 1978). However, as a leading variable the system will be able to facilitate or restrict the organisation's future strategic capability. The strategic formulation within consortia such as Best Western, Consort Hotels, Inter-Hotels and MinOtels reflect more of a bottom-up design.

Decisions appear to be made by hotel members, via non-executive committee structures.

Within these consortia hotel members, via this administrative mechanism, are able to advance or confine the strategic direction of each consortium.

However, only these **larger consortia (which also exhibit product and market breadth) have established a complex non-executive structure** which forms part of the main corporate structure of the organisation. These committee structures, as the main focus of the administrative system, can be described as the **leading variable in the formation of strategic plans**.

In comparison, the formation of strategic decisions among consortia owned by integrated, multi-industry firms appeared very much a top-down process.

Process factors exhibited by hotel consortia include recruitment controls and membership rules and regulations. Best Western Hotels was frequently quoted as accepting only five per cent of hotels requesting membership. Coupled with its consolidation of hotels over the two years of investigation (in 1987 the consortium reflected more concentration of specifically mid-market hotels) this consortia appears to operate a recruitment control mechanism. Consort Hotels,

Inter-Hotels and MinOtels similarly enact recruitment controls. These four consortia also exhibit tightly coupled structural arrangements. This shows that process factors, such as the need for internal consistency and comprehensive, result in the requirement for a formal, sophisticated organisation structure (Hofer and Schendel, 1978).

In line with the more participative style of management of these organisations, current members are also involved in the acceptance process for new entrants. Codes of practice in terms of hotel referral, reservations and the use of branded products are just some of the examples of processes related to controlling elements of member hotels. Inspection procedures are also carried out by these larger consortia, member hotels being surveyed at periodic intervals. Although ultimately the consortium organisation will have some power in potentially refusing recruitment or renewal of membership, the involvement of hotels in the decision-making processes of these organisations puts into question the effectiveness of such aspects. These elements will be expanded further in the indepth analysis of Best Western Hotels.

Consortia owned by conglomerate corporations operate more stringent controls and regulations, as well as certain international consortia such as Relais et Chateaux and Preferred Hotels (linked to their requirement to uphold the reputation of the wider organisation). An additional aspect appears correlative here, a consortium such as BAAH targets primarily corporate hotels, operating at prime locations and at the highest market levels. It can therefore be suggested that in targeting this buyer group, BAAH requires less controls in order to match its parent company's mission and that set by hotel companies in relation to their 'flagship' properties. This suggests that different buyer groups (hotel members) require different levels of enforced regulatory processes.

Strategic Grouping Formation.

It is apparent that there are identifiable links between the different strategic variables and structural design of consortia. Similarly, clear patterns are emerging in relation to the distinctions between consortia as well as those organisations that possess distinctive competencies in competing in this sub-sector. At this juncture the consortia sample will be grouped strategically in order to further identify these patterns.

In coping with the five competitive forces which comprise the structure of an industry, Porter (1980) states that there are three potentially successful generic strategic approaches to outperforming other firms in an industry:

1. overall cost leadership
2. differentiation
3. focus.

Cost leadership involves the enactment of functional policies which aim at achieving overall cost advantage in an industry. Substantial entry barriers can be an outcome of the successful implementation of such strategic methods. A **differentiation** strategy consists of creating a product or service which is perceived by customers to be unique within the particular industry context of the firm. Lastly, **focus** strategy entails highlighting a specific group of buyers, product type or geographical market.

The strategy rests on 'the premise that the firm is thus able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly'.

Porter's typology of strategies is displayed in Figure 5.2.

Figure 5.2. Generic Strategies.

<u>Broad</u>	Cost Leadership	Differentiation
<u>Focus</u>	Cost leadership	Differentiation

Source: Adapted from Michael E. Porter (1980) Competitive Strategy,
The Free Press. p 39.

This analysis has identified two strategic extremes amongst hotel consortia. Several of the sample either feature broad product or market scope strategies whilst others are more narrowly focused concentrating upon a specific product or market domain. In contrast, the remaining hotel consortia fall between these two excesses. In addition, consortia have been shown to differ in their resource commitments.

Important ownership characteristics serve to distinguish the sample and the ultimate ownership of consortia has been shown to be indicative of differing goal and objective formations.

Also the implications of conglomerate ownership of hotel consortia have been seen to have the potential to result in the achievement of cost advantages over particularly single product firm competitors.

These combinations of scope and resource commitments will be further assessed in order to classify the consortia sample into groupings based upon the three alternative generic strategies (or combination of these).

The Formation of Hotel Consortia into Strategic Groups.

Two consortia, **Concord Hotels** and **Pride of Britain Hotels** appear to be enacting similar strategic positions and may be grouped together.

Concord Hotels displays a narrow product range, focusing upon personnel and training services. This hotel consortia provides an **intensity of services within this narrow product line** and can therefore enact the closer local control that is required in the provision of this service to hotel units. Concord Hotel's **high organicity** appears relevant due to the range of services offered which in the main involve negotiations between individual member hotels and a consortium representative. **Pride of Britain Hotels** competes by **targeting a narrow market segment** -namely independent hotel buyers. It is arguably better equipped to meet the needs of this one sector. However, in servicing this buyer group on a national scale it is questionable if the consortia can gain a low cost position over consortia with a much larger hotel portfolio. The high organicity of this organisation reflects the independent entrepreneurial aspirations of hotel members.

In addition, a non-executive committee structure allows both comradeship amongst member hotels and involvement in the strategic formulation of the consortium. Recruitment controls are lacking, resulting in a variety of hotel members in terms of size, market level and location. In the market for consortia services, the competitive methods utilised by both Concord Hotels and Pride of Britain Hotels reflect components of Porter's **focus strategy**.

A further set of consortia are also following a focus strategy. However, in

comparison with the latter two consortia or the first grouping, the ownership or operational characteristics of the second group consortia enables them to achieve a **low cost position** in servicing their narrow product/market ranges. Amongst the eight consortia comprising this group, two different tactical positions can be identified.

Firstly, the following four consortia were found to exhibit similar focus strategies, resulting in relative cost leadership:

- **Smugglers Coast Hotel Group**
- **Southampton Tourism Group**
- **Viking Hotels**
- **Wester Ross Hoteliers Association.**

Their focus was found to be primarily geographical in terms of the hotel units targeted. The products offered by these four consortia observed in their specific range of business generation services show an orientation towards locational marketing. **Cost savings are evident primarily through the ownership of these consortia**, they are all part of larger authoritative bodies eg., different regional tourist boards and a Town Council.

The ultimate ownership of these consortia is reflected in their structural and procedural features. The consortia are small subsidiaries of the ultimate owning organisations resulting in a flexible and loose affiliation between hotel members and each consortium. Additionally, besides these consortia lack any internal consistency controls, besides **locational** specifications of membership. Other consistent characteristics of hotels in terms of market level, size and ownership witnessed within Smugglers Coast Hotels and Southampton Tourism Group were more a reflection of the hotel market in these areas rather than being any specified membership requirements of the consortia.

Secondly, the following consortia enact somewhat different competitive tactics. **Guestacom** appears in this grouping due to it's focus upon **supplying**

services to small, independent hotels. It is also able to gain some scale economies in its product range through combining with its sister consortium. Structurally it was found to display high organicity and no specific internal processes can be witnessed. It can be assumed that informal methods are carried out by the individual owner of this consortium (formal procedures therefore being unnecessary due to the extremely small corporate structure of this consortia).

MinOtels similarly targets independent hotels and achieves some cost advantages through the large number of actual members served. It provides a wide range of services to this buyer group. A formalised structure correlates with this large membership size. Internal controls are evident in terms of regulating the recruitment and involvement of hotel units. However, these appear not as stringent as to imply that other membership specifications are enforced besides independent ownership, in the main, membership of this consortium is less restrictive than in the other national groups.

Relais et Chateaux also targets independent hotels. It gains cost advantages in accessing overseas tourist markets through the synergistic relationship with its international hotel membership portfolio and its one central administrative centre in France. It operates quite strict consistency controls in order to accept hotels for membership which are as similar as possible to its original hotel members in France. However, within the UK, links between domestic member hotels and the french central office are relatively loose.

Lastly, **British Airways Associate Hotels** targets specifically corporate hotels for membership. Its product line is oriented almost exclusively towards attracting trade from business travellers. It is the ownership of BAAH by a worldwide airline that allows it to gain a distinctive cost advantage through sharing the marketing and sales 'power' of this conglomerate. The corporate structure of the consortium outwardly exhibits a loose and flexible structure. BAAH does not exhibit close control or rigid

regulatory processes over hotel members. However, it is clear that the owning organisation seeks to gain a tight control over its subsidiary. It appears that the corporate membership of member hotels negates the additional requirement for the imposition by BAAH of stringent quality and standard controls, hotel companies themselves controlling the standards of their own units.

This consortium exhibits specific characteristics that separate it from many of the other consortia in the sample.

One consortium, **Best Western Hotels** can be judged to occupy its own exclusive grouping, that of group three. It reflects a combination of resource and scope commitments as well as structural characteristics that separate it from the rest of the sample. It enacts a **differentiation** strategy by producing a **broad range of products**, it therefore offers the **most extensive benefits to member hotels**, particularly in terms of sales and marketing services. The consortium aims to 'protect' its members from competitive rivalry through allowing access to such an extensive range of benefits. It is a franchisee of Best Western International Inc. (USA), however, except for reservation and international sales office facilities it gains few direct cost advantages from this relationship. This could be due to both the locational distance and the large size of both franchiser and franchisee.

The consortium **restricts membership more finely** to mid-market hotels by means of a stringent recruitment policy. This has resulted in a more consistent hotel portfolio in terms of hotel facilities and service standards. This policy can be witnessed as a strategy to assist the consortium's hotel members in gaining differentiation through being associated with this collective organisation. Subsequently, the consortium requires the highest level of control over hotel members amongst the sample. This is witnessed in its relatively **tight, formalized structure and regulatory processes**. A sophisticated non-executive committee is also in existence which enables hotel members to be involved in the formulation of strategy.

A fourth group comprises six hotel consortia which exhibit **cost leadership** strategies based upon a broad product/market range (in comparison to the second grouping where more focused strategies were enacted). In order to achieve cost advantages, these consortia utilise two different approaches.

Consort Hotels, Inter-Hotels and Prestige Hotels are all nationally oriented consortia which represent a large range of buyer groups. They are able to **gain economies of scale** through their relatively large share of the consortia market. Consort Hotels, in particular, is in the 'numbers game' - its objectives include gaining the pole position in terms of organisational size in 1987. The continued growth in its membership can be seen as the result of the 'success' of the consortia in coping with its internal functional problems of organisation posed by an expanding membership group. Its formalised structure allowed the absorption of new members as well as establishing further economies of scale.

Inter-Hotels was also able to gain a cost advantage from a relatively large scale operation. Prestige Hotels' **external sourcing** policy allows the consortium to gain an intensity of services and an access to purchasing power over buyer and supplier groups.

The other three consortia, **Golden Tulip Hotels, Nikko Hotels International and Quality International Hotels**, gain cost advantage from their ownership rather than through market share. Just as BAAH gains cost advantage through access to its parent company's facilities, (strengthened by focusing upon narrow hotel customer and end-customer groups) so the other airline affiliated consortia, in addition to Quality International Hotels, are able to benefit from similar synergistic trading arrangements.

These consortia with a **non-focused set of hotel units** are able to take advantage of the related nature of their parent organisations, allowing the effective provision of a broader product range to an unfocused set of hotel units.

Structurally, Golden Tulip and Nikko Hotels are similar to BAAH. Quality International however, although an affiliate of it's US parent, has **established a formalised UK corporate entity in order to service member hotels specifically in this country**. The longer-term investment by it's parent firm as well as the availability of marketing and sales liaison between this affiliate and the company worldwide off-set the relatively small number of UK member hotels (and the resulting low income activity).

The final set of consortia, comprise the fifth grouping. These 12 consortia **neither appear to focus upon a narrow range of products or markets nor are their actual products or buyer groups broad-ranging**. A number appear able to take advantage of related parent firms in order that the costs might be shared and/or subsidised. These are:

- **Concorde Hotels**
- **Thames Valley Hotels**
- **Yorkshire Rose Hotels**

The latter three consortia, although focused geographically, appear unable to compete effectively with other consortia servicing members in their specific locations because they have **not gained real geographical exclusivity** and their respective hotel portfolios form only a small part of the total regional or town hotel stock.

These consortia hold only the potential to compete in terms of a focus strategy whilst occupying an inferior strategic position and are unable to take advantage of national and international promotion.

Meanwhile, the following consortia listed below are able to benefit from affiliation with international consortia, often relying upon only one central administrative base in their home nations:

- **Relais du Silence**
- **Historic and Romantik Hotels**
- **Leading Hotels of the World**
- **Preferred Hotels.**

ExecHotels although less focused than its sister consortia, **Guestacom**, can take advantage of some economies of operation through this amalgamation.

Star Collection Hotels through expanding its customer base to include hotels in different resort locations (from its original focus marketing only properties in Bournemouth) appears to have provided it with some **cost savings**.

Hospitality Hotels of Cornwall and Northern Ireland could be described as locationally focused, although lack of dominance in their respective geographical areas does not afford them a strong competitive position while their services appear limited.

Finally, **Independent Llandudno Hotels** offers the most minimal of services amongst the entire sample. This consortium features a very small, loosely affiliated membership.

The strategic positioning of all of these 12 consortia is less significant and they lack the potential to differentiate their products or to focus upon a specific buyer group or product range. Their low market shares in the sub-sector as a whole as well as in focused market segments have resulted in this final grouping regarded as '**stuck in the middle**' in terms of the generic strategy classification. With the exception of **ExecHotels**, hotel members appear very loosely tied to their respective consortium organisation while the corporate structures of such consortia exhibit extremely high levels of organicity, many

not employing personnel in this country or if so, only very few staff members. Table 5.10 displays these five emergent strategic groupings along with their corresponding consortia members and the relative market shares and structural characteristics of each hotel consortium.

Table 5.10. Listing of Strategic & Structural Factors.

Strategic Group 1 (SG1).

Hotel Consortium	Relative Market Share (%)	Structural and Process Factors
Concord Hotels	2.63	HO, NE
Pride of Britain	1.05	HO, NE

Strategic Group 2 (SG2).

Hotel Consortium	Relative Market Share (%)	Structural and Process Factors
BAAH	16.94	HO, IC
MinOtels	2.40	T, LO, NE, IC
Guestacom	2.10	LO, NE
Southampton Tourism Group	1.87	HO
Wester Ross	0.85	HO, NE
Relais ' Chateaux	0.59	HO, NE, IC
Smugglers Coast	0.50	HO
Viking Hotels	0.18	HO

Strategic Group 3 (SG3).

Hotel Consortium	Relative Market Share (%)	Structural and Process Factors
Best Western	14.76	T, LO, NE, IC

Table 5.10. (Continued)

Strategic Group 4 (SG4).

Hotel Consortium	Relative Market Share (%)	Structural and Process Factors
Consort Hotels	18.38	T, LO, NE, IC
Golden Tulip Hotels	8.93	HO, IC
Inter-Hotels	4.10	T, LO, NE, IC
Prestige Hotels	2.37	MO, NE
Quality Intl Hotels	2.30	LO, IC
Nikko Intl Hotels	2.23	HO, IC

Strategic Group 5 (SG5).

Hotel Consortium	Relative Market Share (%)	Structural and Process Factors
ExecHotels	5.71	LO, NE
Star Collection	3.61	MO, NE
Leading Hotels	3.12	HO, IC
Thames Valley	1.19	HO, NE
Yorkshire Rose	1.17	HO
Concorde Hotels	0.85	HO, IC
Hosp' Cornwall	0.65	HO
Preferred Hotels	0.47	HO, IC
Relais' Silence	0.47	HO, NE
Hosp' Northern Ireland	0.26	HO
Historic & Romantik Hotels	0.26	HO
Indep' Llandudno	0.12	HO

KEY:

Structural Factors:

LO = Low Organicity

MO = Medium Organicity

HO = High Organicity

T = Tightly controlled structure

NE = Non-Executive Committee Structure

Process Factors:

IC = Internal consistency

Porter shows that the entire focus strategy is built around serving a particular target very well. Hotel consortia in strategic group **SG1**, were recognised as focusing upon a particular buyer group or product range. The exclusive service area provided by Concord Hotels sets it (competitively) apart from the other consortia. In comparison, Pride of Britain Hotels is able to meet the needs exclusively of independently owned/operated hotels as judged from its targeting strategy. It is suggested that the **focus strategy implies some limitations on the overall market share achievable** and indeed, each of these two consortia correspondingly hold relatively small market share positions. The importance of access to markets and therefore business generation services has previously been stressed and this appears to limit the potential market share growth of Concord Hotels whilst supplying only personnel and training benefits. The low organicity of Pride of Britain hotels points to the fact that a change in the structural and procedural characteristics of this organisation would have to occur in order for it to cope with a substantial increase in market share.

The consortia identified as a second grouping **SG2** are arguably different from the first grouping. Although following what can be identified as focus strategies they are able to differentiate by better meeting the needs of the particular target and achieve lower costs in thus serving this market (Porter, 1980). Therefore, **features of their ownership or their operation, pointing to economies of scale** being achieved, by the members of this group also allow them to gain cost advantages. In the case of consortia which are subsidiary companies of related conglomerate firms, their ability to **share synergistic resources enables them to achieve a cost advantage**, particularly in relation to single product firms who would have to compete without these prerequisite resource and skill capabilities.

Amongst this grouping **market share has been sacrificed** although BAAH is the exception, due primarily to the characteristics of its member hotels which are in the main large hotels. Conversely, MinOtels and Guestaccom have gained operational economies due to the relatively large number of hotel members, which being small operationally are not reflected in the market share of these consortia.

The third grouping, **SG3**, comprises only one consortia. Best Western Hotels appears to have achieved **sector-wide differentiation**. This strategy requires organisational requirements such as strong marketing abilities (which are the main core of this consortium's services) and strong coordination among functions. The **relatively formalised structure** exhibited by this consortium correlates with an effective differentiation strategy, although complete control over the strategic direction of individual hotel units is obviously difficult. **Its market share is one of the highest recorded** amongst the sample, reflecting the consortium's differentiation across the sub-sector.

Overall low cost strategy is exhibited by hotel consortia in **SG4**. Unlike the strategic alignment of consortia in SG2, the organisations positioned here appear neither to attempt to focus nor to differentiate. It is interesting to study the factors that have lead to their low cost position, namely, **large membership size, external sourcing and ownership advantages**.

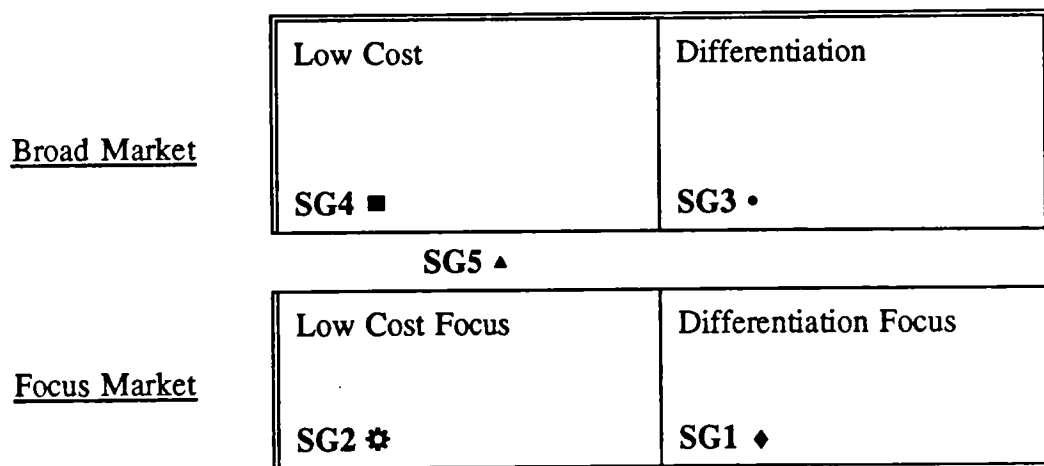
Consort, Inter and Golden Tulip Hotels all hold **relatively high market shares**. Dess and Davis (1984) reject the notion however that high market share is necessary for the successful implementation of a low cost position and the other consortia in this group correspondingly were found to hold small market share positions. The example of consortia which are owned by integrated airline conglomerates serves to stress that aspects such as the access to synergistic markets maybe more cost effective than mere membership size.

Porter (1980) states that companies may require to serve all major customer markets in order to build volume, a tactic that Consort Hotels, as a single product firm, have resorted to. Nonetheless, cost leadership strategy is said to require a tight structure, yet aside from the airline linked consortia, the membership of this strategic group displays relatively low levels of organicity.

Finally, **SG5** contains an assortment of consortia which appear not to follow any of the recognised approaches of dealing with the competitive forces in the hotel industry. Although there are signs of some attempt at low cost strategy, an analysis of resource and scope commitments did not lead to any conclusive positioning for these consortia.

With the exception of ExecHotels, the consortia positioned in this grouping represent individually, only small market shares, this may be termed a marginal group where the position of hotel consortia members is seemingly tenuous, and some may be likely candidates for exit from the sector, such as Independent LLandudno Hotels. The comparisons observed among the consortia sample in terms of their strategic approaches are shown in Figure 5.3.

Figure 5.3. Generic Strategies of Hotel Consortia.



Source: Adapted from Michael E. Porter (1980) Competitive Strategy, The Free Press. p 39.

Two additional points arise from these findings. Firstly, **mobility barriers** appear in the main to be low within and amongst the strategic groups identified. In relation to the scope and resource commitments there are few dissimilarities and this reflects the low barriers to entry in the industry as a whole. **The most readily recognisable entry barrier is within SG3**, where Best Western Hotels holds exclusivity; its structure and processes highly geared to the strategy of differentiation. Secondly, **the market interdependence of consortia is obviously high** ie., all consortia ultimately target hotels.

The recurring importance of ownership characteristics of consortia is very evident. Mobility barriers are lower for **related conglomerates (ie., airlines and hotel companies) which can enter the sector relatively easily, helped by the pursuit of vertical integration and the consequent synergistic benefits**. In addition, such parent company backing may allow the consortium subsidiary a greater chance of securing competitive advantage through following effective focus or low cost strategies.

5.3 Summary of Key Findings.

Through an analysis of individual hotel consortia several factors have been identified along with a number of interrelationships between strategies enacted and the structural and process mechanisms utilised to implement and administer these. In summary these are:-

1. The majority of the sample were found to be **single product firms**. Certain structure and process characteristics appear to correlate with these limited strategic positions, namely, **high organicity and very few control processes**.

Several of the sample consortia comprise non-executive committees although these are often unstructured and act only as mechanisms to gain camaraderie amongst hotel members.

2. Several **single product firms** exhibit a **breadth of product range** and deploy **large numbers of staff**. Distinctive competencies are gained through the **enlistment of executive heads**. These practices result in **formalised structural arrangements** where perceived **organicity is low**. They enact a **bottom-up decision-making** regime through non-executive committee structures.

3. Both **vertically and horizontally integrated conglomerates** - mainly airline and hotel company linked organisations - were found predominantly to target corporate hotels. These are able to **gain an advantage in the vertical stream of activities**, mainly through ownership, and able to gain **cross-subsidies** through a similar association.

Structural characteristics vary but all seem to feature **low levels of organicity** and exercise control largely in terms of recruitment of members.

A number of points can be assumed from the above findings. Firstly, **the more complex the strategic challenge the more sophisticated the planning system and control process**.

Distinctive advantages can be gained more economically and also may enable other synergistic benefits. Secondly, the operation of **democratic decision-making processes** conflicts with the attempts to exercise control over consortia in certain cases.

The attempt to isolate distinctive strategic groupings serves to highlight loose strategy and structure relations as follows:-

SG1 - high organicity and restrictive growth potential. Narrow product and market scope was identified as a **focus strategy**.

SG2 - cost advantages achieved by differing means eg., ownership, large number of hotel members, operational amalgamation or international synergy. Low costs realised by **servicing a narrow market/product range**. Except for BAAH this grouping is generally not associated with high market share (measured by the number of rooms represented), there is little motivation to gain a low cost position.

SG3 - Broad differentiation associated with the consortia exclusively forming this group. **Formalised structure and a number of internal consistency controls** served to preserve differentiation in the marketplace. A **democratic decision-making philosophy** and in contrast, low levels of organicity.

SG4 - Low cost strategy, although broad market/product scope. Economies of scale accomplished by external sourcing, ownership and large market share positioning.

Structural features vary among consortia in this group dependent upon how cost benefits are achieved. Consortia able to gain cost savings through links with their ultimate ownership firms display high organicity, whilst other consortia (mainly single product firms) demonstrate low levels of organicity and relatively formalised structures.

SG5 - 'Stuck in the middle'. Attempting to establish either focus or cost leadership strategies. Range of consortia in this grouping reflect diluted characteristics of those in the other four groupings. Overall, held **low market shares, loosely structured**, with high organicity.

The existence of a variety of strategic stances, observed through the five groups, points to a certain level of rivalry between hotel consortia in order to capture this market. This is consistent with intensity of rivalry within a fragmented industry.

Porter (1980) noted that the importance of entry barriers to groupings depends on the particular strategy of the firm. Aspects such as ownership and organisational size do not alone result in the propensity to enact any one of the three generic strategies. However, the presence of **ownership advantages** among the consortia sample, does point to the ease of entry of those organisations possessing similar ownership benefits. It may be surmised that **mobility barriers between the groups are asymmetrical** and for consortia enacting low cost positioning this might be less of a barrier to entry to unit organisations which have the opportunity to share resources with related divisions (of their parent companies). In general, mobility barriers appear to be relatively low, reflecting the ease of entry into the hotel industry.

The final strategic groups emerging from this analysis display certain unique linkages between strategy and transorganisational structure and processes.

An effective low cost strategy, in particular, needs to be driven by a tightly structured organisation whereas consortia grouped under this generic classification appear to demonstrate rather high levels of organicity. Even where tight control over membership is exercised in order to sustain differentiation - as in the case of Best Western - the democratic decision making processes therein clearly inhibit the moves to exercise central controls.

CHAPTER 6. STRATEGY, STRUCTURE AND TRANSORGANISATIONAL DEVELOPMENT.

The aims of this part of the study are:

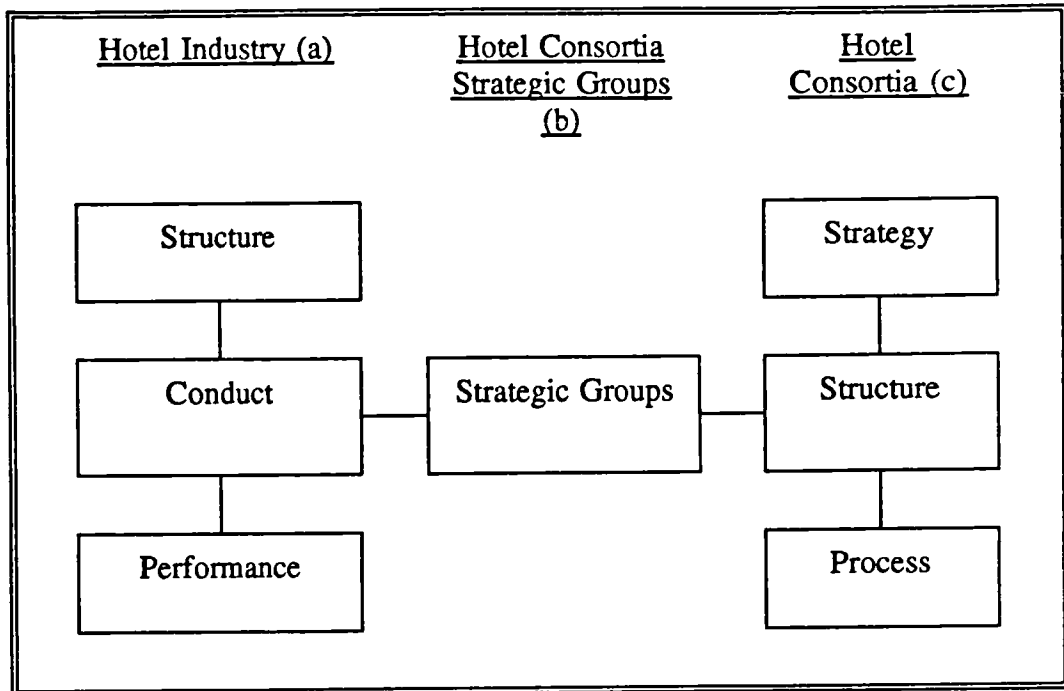
- (i) to expand on the analysis in the previous chapter concerning the strategic intent of hotel consortia, and
- (ii) to address the (transorganisational) structure and process characteristics of consortia and to explore pertinent linkages to strategy.

The **organisational issues** are developed through the final fieldwork involving a study of three consortia (refer to Section 2 in Chapter 5). It has become clear from the analysis of strategic groups that a more in depth assessment of a set of consortia organisations is required in order to develop the descriptive model of grouping and the organisational issues therein.

6.1 Framework and Sampling.

The findings relating further to the study of three hotel consortia and one hotel company in this chapter derive from confidential documentation and semi-structured interviews carried out with a range of executives in these organisations. The framework used for these interviews is displayed in Appendix 1 along with a list of the specific respondents. The analysis and conclusions forwarded are therefore based upon these responses within the strategy/structure frameworks previously established.

The following simplified conceptual model puts this section into its contextual framework:-



The sample consortia were chosen on the basis of the strategic group analysis arising from Chapter 5. This allowed a representative sample covering the three basic (generic) strategic groups, namely British Airways Associate Hotels, Best Western Hotels and Prestige Hotels (see Figure 6.1).

Figure 6.1. Generic Strategies of the Sample Hotel Consortia.

<u>Broad Market</u>	<p>Low Cost</p> <p><u>Prestige</u></p>	<p>Differentiation</p> <p><u>Best Western</u></p>
<u>Focused Market</u>	<p>Low Cost Focus</p> <p><u>BAAH</u></p>	<p>Differentiation Focus</p>

KEY:

BAAH = British Airways Associate
Hotels

Best Western = Best Western Hotels

Prestige = Prestige Hotels

6.2 Differentiation Strategy, Structure and Process.

Strategy.

Approaches to differentiating can take many forms, although Porter (1980) states that ideally a firm should seek to distinguish itself along several dimensions.

Best Western Hotels is seen to achieve differentiation by the use of two strategic approaches. Firstly, the organisation seeks differentiation through the provision of a comprehensive product range (business generation services being most prolific) to member hotels. Secondly, in order to achieve industry-wide uniqueness, there is a positive attempt to distinctly position the group:

‘Best Western will continue to position itself as a large and widespread grouping of individual owned and operated hotels, that are dependable with consistency of standards in each star category, offering excellent facilities, a friendly and personal welcome and above all, good value for money.

Whether we are promoting ourselves as a group or as leisure or conference hotels to specific audiences, we will demonstrate that we are different, not "corporate", but above all that each hotel in whatever product category it will offer a really personal and caring service that can never be found in a chain hotel.’ (Best Western Marketing Plan)

In establishing this competitive stance, the consortium capitalises on the strengths of the individual operational nature of its hotel membership. The strengths of the group would appear to be related to the individuality of each member hotel in that they display ‘character’, are personally run by individual proprietors (and are less financially pressured), offer a high level of personal service and are more competitively priced.

In contrast, the positioning statement also points to some elements of uniformity or conformity to a prescribed identity/image of Best Western in the hotel marketplace possibly in response to the weaknesses of the targeted hotel members. The CEO of Best Western states that these weaknesses may include the lack of consistency in the 'quality' of the product and the lack of provision of a complete range of multiple products which are provided by competitive hotel companies, such as mandatory twenty-four hour room service.

Differentiation is said to provide insulation against competitive rivalry because of the brand loyalty of customers. Best Western's original and continuing focus is to provide facilities for the benefit of independently owned-operated hotels and the extensive services it has developed over time have meant that it has remained a stable organisation in terms of its membership numbers. This has been achieved despite new entrants into the sector and the threats presented by substitute products. Similarly, gaining a uniqueness amongst customers in the marketplace also necessitates sacrificing market share gains. In fact, the strategy employed by Best Western of consolidating its recruitment drive (in order to gain more consistency in membership) can be seen to be an outcome of such strategic pressure.

Meanwhile this restriction in membership numbers serves to maintain the intensity of service provision to member hotels - which is its approach to differentiation amongst other consortia.

An additional facility offered to member hotels also serves to distinguish this consortium. The regional structure of the consortium necessitates the participation of member hoteliers in the decision-making process of the collective (these elements will be evaluated in more detail during the course of this discussion). This structural feature also promotes a 'club philosophy' amongst members - the organisation states that each member hotelier is able to gain the 'camaraderie and collective experience of...fellow-hoteliers' (Best Western Membership Prospectus) thus resulting in the cross-

pollination of ideas.

In order to maintain differentiation the policies of the organisation must be established to maintain elements of competitive 'exclusivity'. Best Western Hotels enacts a recruitment policy which states that member hotels may not belong to another consortium.

In a similar way, the strategic orientation of Best Western reflects the amalgamation of a group of organisations - hotel units - which have come together in order to access particular marketing services, the extent of which would be outside of their own organisational scope. Best Western Hotels promotes itself to potential members in the following way:-

'By joining Best Western, your hotel will be among X fine independent hotels which - through the benefit of our joint resources and expertise - have the strength to compete in the market-place with the wholly-owned groups.' (Best Western Membership Prospectus)

The organisation believes therefore that the objective of every member should be to achieve a greater share of the UK market than they would otherwise have by not being a member of Best Western. As the analysis of the hotel industry has shown, bargaining power and the access to expensive distribution channels, for instance, are required in order to compete for expanding customer markets, such as overseas visitors, business groups and short break buyers. Best Western Hotels, through the collective resources of its hotel membership and through its franchisee status, is able to provide not only the intensity of marketing and sales services that enable these markets to be captured, but also its organisational size (measured in terms of the number of hotel rooms represented) facilitates the countenance of these instances of buyer 'power'.

Cummings and Huse (1989) cite the emergence of trans-organisational development as a response to the need for organisations to perform tasks or solve problems that are too complex and multi-faceted for single organisations

to carry out.

Best Western is seen to be postulating, albeit in a somewhat superficial sense, such perceived transorganisational effectiveness:

‘all Best Western Hotels continue to enjoy occupancy levels that are substantially higher than their competition in England, Wales, and Scotland’ (Best Western Marketing Plan).

In a fragmented industry, local control and personal service may be the key to effective business, enabling the small firm to gain a competitive stance. These particular operational characteristics appear to be the key to the strengths stressed by Best Western. The (transorganisational) system provides the opportunity for the member firms to more effectively interact with the external operating environment (buyers and suppliers), where individually they would find it more difficult.

Structure and Process.

Differentiation, as might be anticipated, also implies distinctive organisational arrangements and control procedures. The processes undertaken by Best Western in the attempt to maintain differentiation therefore require further attention and evaluation.

In assessing the effectiveness of organisations, the mechanisms of integration between the product-market strategies of organisations and general management problems need to be understood. Theorists have postulated that organisations must differentiate their functions so that each functional department can deal with its different sub environment. Also, organisations must integrate the differentiated functions around the interdependencies brought on by the key competitive requirements of the industry (Galbraith and Nathansan, 1978).

Within the Best Western Corporate Structure (Appendix 6), the Central Office structure is organised into functional specialisms - reflecting the separate products or services carried out on behalf of member hotels. Grouping in this formal structure is on the basis of function, both conventional functions such as finance, sales and purchasing and also those specific to this type of organisation ie., Membership and Training. The Sales Department is also organised to some extent on the basis of markets served, ie., the different market sectors of the hotel industry such as the conference and travel trade, and also arranged regionally.

This complexity of corporate structure and the attendant control problem has been addressed by Slattery and Clark (1988) in their evaluation of the structure of hotel groups:

‘different mixes of hotels place different constraints and requirements upon the corporate structure. As the complexity of the portfolio increases, so the complexity of the corporate structure should also in order to retain a comparable level of control.’ (p 125)

Clark (1987) had earlier concluded that Best Western reflected an organisation that had a diversity of hotels (in terms of size and grade), and that this was evidenced in its complex organisation structure.

This no doubt still holds and of course the Best Western’s portfolio is further complicated by the presence of multiple, independently owned/operated firms. However, it is not only the diversity of the membership that subsumes this complex corporate structure, but also the involvement of member hotels in the corporate decision-making processes. The first tier of the structure in particular aims to formalise the democratic process while a members’ power is exercised via the nine regional committees through a functional committee structure.

There are clear inter-relationships between the second levels of structure and the functional areas within these. Decisions are made from the membership ranks up through the non-executive committee structure to culminate at the Executive Committee level. The latter ultimately controls the destiny of the consortium, representing the views of the membership, and over-seeing the role of the Chief Executive Officer. He in turn seeks to implement the wishes of the membership via the functional departments under his control.

In the context of this organisation (where differentiation is the key competitive stance) a key problem is one of coordination between the membership of the organisation and the marketing and sales function. Porter (1980) stresses that strong marketing abilities are required for differentiation to be achieved and this is evidenced in Best Western with the employment of specialists in this key functional area of corporate activity. However, the successful implementation of a differentiation strategy requires far more than merely marketing expertise and where independent hotel members are explicitly involved in implementation, procedural and control mechanisms become paramount.

The consortium has chosen to position itself distinctly within the hotel market place by attempting to establish a single, collective identity and image. The outcome of this approach has been to implement recruitment and membership controls with the aim of more closely harmonising the standards and identity of member hotels.

Clark (1987) reiterated such developments in pointing to the advantage of homogeneity of hotel portfolios as an opportunity for additional standards, procedures and specialisms in the corporate structure.

According to records, restrictions related to membership resulted in 95 per cent of potential recruits being rejected mainly on the grounds of lack of standards, or not fitting in with the Best Western image or tariff structure. There is also

a desire on the part of the consortium to increase its cohesiveness of offering, particularly in relation to its main target groups. Two controls have therefore been adopted in an attempt to regulate existing hotel members:-

1. Independent inspections of hotel members carried out annually by Automobile Association inspectorate to ensure customers 'continued satisfaction', and
2. The formation of a Membership and Communications non-executive committee which as one of its functions is responsible for monitoring the quality of member hotels as well as the hoteliers' commitment to participating in regional and national sales programmes.

The introduction of inspections by the Automobile Association can be viewed as an important development in terms of an objective, arms length outside evaluation, although this organisation's inspectorate only appear to rate the member hotels against their own grading system. It became apparent that the Membership and Communications non-executive committee had potential difficulties in this respect relating mainly to the issue of the self-policing of member hotels (in that members had the power to police so-called independent co-patriots). Within organisations, discretion over actions to achieve results is often decentralised. This is no less relevant in Best Western where ultimately, the implementation of the game plan of the organisation rests with its hotel members, remembering of course the power base of the organisation resides at this functional level of strategy anyway.

The Best Western Marketing Plan states that the sales and front office staff within hotel members should largely restrict themselves to selling the name of the property employing them. This practice was seen to be confirmed by the incorporation of consortium's Public Relations Officer and staff into the Central Reservation Team. However, the lack of co-ordination and co-operation between individual hotel-based sales staff, particularly those in nearby locations, apparently did little for the strive to sustain a corporate identity. This highlights the conflict between the promotion of the consortium

aims and the individual actions of hotel members to further their own hotel's promotion aims.

The notion of transorganisational systems as 'multi-organisational orders', helps explain to some extent the procedural problems encountered by Best Western. Important characteristics of the organisation relate to the financial independence of member hotels and the maintenance of their separate organisational identities and goals. Transorganisational systems tend to be underorganised and 'relationships among members are loosely coupled, leadership and power are dispersed among autonomous organisations rather than hierarchically centralized' (Cummings and Huse, 1989 p 408-409). One can relate these particular characteristics to Best Western Hotels, where it would be difficult to develop rules, policies, controls and formal operating procedures to such an extent that these are seen to impinge upon the independence of member hotels. The organisation does possess a formalised structure of some sort, but the very amalgamation of nearly 200 independent hotel businesses is self explanatory in terms of the problem of common goal formation and controls.

Writers on interorganisational designs have stressed the control involved in managing these types of organisations due to the maintenance of the autonomy of members whilst attempting to jointly perform.

There is a further paradox whereby although the sanction of membership termination may be enacted (after the mandatory two year period) the prospect of a large number of sanctioned members will serve to reduce the effectiveness of the organisation for remaining members. Conversely differentiation has in the past led to loyal and presumably obedient members who have recognised the importance of interdependence.

These elements may be further expanded in assessing the organisational position of the employed members of staff in the Central Office of the

consortium under investigation. From discussions with some of these individuals it appeared that conflict existed between their areas of operation in relation to the achievement of the strategic goals of Best Western Hotels. However, in reality the executives turned out to be merely carrying out the wishes of the hotel members, as the latter do after all form the leadership of the consortium. The frustration arising out of the conflict points to additional problems with this type of organisation - those of decision-making and strategic consensus.

Clearly the situation is further exacerbated by the sheer number of members. For example, the Chief Executive Officer explained that he had to take note of the opinions of over 190 hoteliers, in the process of shaping policy, strategy and tactics. Similarly for policies and tactics to be effectively implemented there must be commitment and involvement by all member hotels, yet this does not seem to be the case in reality.

This is of course not uncharacteristic of transorganisational systems, of course, as there will be difficulty in managing the different levels of commitment among members. The role and skills requirements of the change agents in such organisations include the ability to maintain a neutral role, treating all members alike. In Best Western the chief executive appeared to recognise these demands on his role. He expressed the need to act as a diplomat in striving to blend both the strategic plans of the non-executive committee and the strategic advice of the Central Office team. His job therefore being to structure and to manage the interactions between all parties. Additionally, members of the Central Office team also required a level of diplomatic and political competence in order to 'understand and resolve the conflicts of interest and value dilemmas' inherent in this arrangement of multiple firms.

Nonetheless, the formalised controls and rules that had been established by Best Western, particularly in order to achieve some level of common corporate identity, appear to have been too weak, although it is evident that the organisation as it stands would probably not allow more stringent control mechanisms to be applied, without further exacerbation of the problems identified above.

It is clear that the 'ideal' level of interdependence between members and between the consortium and members (ie., that which would sustain a common strategic posture) was not seen to be sufficiently significant and that the emancipation of individual members still held strong.

These early findings highlighted important strategic indicators for Best Western's longer term competitive position in the hotel industry. Having built up a high level of awareness and some degree of loyalty amongst targeted customer groups in previous years, this differentiation was beginning to be difficult to sustain. The awareness amongst hotel users of Best Western was in 1989 found to have severely declined and Tarrant (1990) stated that:

'Such a large drop represents a real decline and a consortium like Best Western must concern itself not only with standards but also with promotion.' (p 44)

This statement appears to point exactly to the continuing problem between the organisational membership of the consortium and the resulting procedural problems that inhibit the successful implementation of strategic policies. These arguments relate of course more to the sustainability of the consortium's uniqueness in the industry as a whole rather than in the sub-sector.

6.3 Focus Strategy, Structural and Process.

Strategy.

The focus strategy of BAAH is built around serving a particular target market very well. British Airways has established a distinctive position in the worldwide airline transportation industry and its mission in 1987 included the following:

‘Whether in transport or in any of the travel or tourism activity areas, the term "BA" will be the ultimate symbol of creativity, value, service and quality.’ (Mission Statement, 1987)

However, the company had also begun to recognise the purchasing power of the frequent business traveller and the establishment of BAAH was one move in a series of business level policies to achieve a focus strategy based on this market. This orientation is reflected in selectively concentrated marketing efforts where the business traveller is identified as being particularly attractive i.e., travels frequently, flies considerable distances and is the mainstay of scheduled services.

BAAH is judged to be an added-value service to this customer group and additionally it vertically integrates other organisations which are involved in serving this customer base. In following its parent organisation, it focuses upon a specific market while its strategic alignment is primarily directed towards an end-customer group rather than particular hotel members.

Member hotels of BAAH are in the main corporately-owned, are of a large size and operate in the upper market echelons. The main selection criterion is that members provide products/service levels which are consistent with those

demanded by this consumer group:

‘British Airways Associate Hotels (BAAH) is a marketing service operated by British Airways to promote selected hotels which meet the needs of the frequent traveller.’ (BAAH Membership Prospectus)

In addition, the consortium achieves focus through its concentration on a specific set of hotels, worldwide, and is also able to serve them distinctly. The direct access to a global, high-spending customer group provides the main service to hotels, whilst the affiliation to and therefore acknowledgement of a worldwide airline further promotes the reputation of member hotels.

Structure and Process.

BAAH formed in 1975, is one part of a subsidiary organisation of British Airways, British Airways Associated Companies. This affiliate company is managed as an independent division and covers hotels, two small airlines and the wholly-owned subsidiary, Airways Aero Associations (this provides facilities for training in gliding and powered flying). Structurally the consortium is part of a highly centralised, functional organisation.

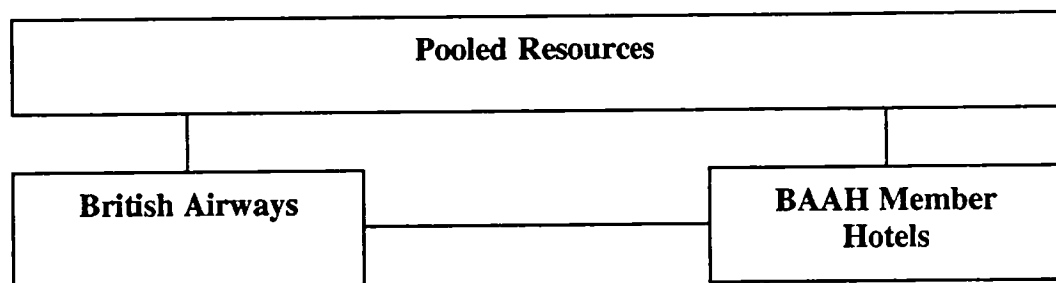
The holding-company structure of the parent company enables BAAH to achieve a level of marketing capability not usually available to a small subsidiary by being able to directly access the resources, expertise and skills available in the sales and marketing functions.

In serving both end-consumers and hotel members, a lower cost position has been achieved due to this integral link. Commitment to the maintenance of a cost focus strategy relies upon organisational and control procedures ultimately directed at serving the particular strategic target needs at an average cost level lower than that of competitors. This requires a degree of control over individual members’ strategy and coordination of processes.

Business generation services are offered by BAAH and the link with British Airways means these are extensive and include links directly with the airline's reservation system, which in turn is connected to global distribution systems such as TRAVICOM.

The relationship between British Airways and the hotel members of BAAH can be described as reciprocal. This relationship is characterised by a relatively high level of interdependence, both parties pooling their resources in order to capture a share of the business traveller market. This relationship is shown in Figure 6.2 below.

Figure 6.2. Reciprocal Interdependence within BAAH.



Source: Adapted from Thompson in Galbraith, J R and Nathansan D A (1978) in Strategy Implementation: The role of structure and process. West Publishing Company.

However, this link does assume an equal balance of power and it is possible that the airline group, through BAAH, holds the most influence in this association. For example, member hotels join mainly to be associated with British Airways and all that it stands for, and to gain international coverage and penetration of the business traveller market. The rules and control mechanisms also appeared to be dominated by the continuance of the transport group's reputation. Internal inspections of hotels are carried out by BAAH in

line with the standards set by the airline and safety and hygiene checks are held to be an extremely significant part of this inspection. In addition, and to counter additional problems of product variances, BAAH target corporate hotels for membership in the belief that the 'quality' and standards of their operations are likely to fit more closely with those of British Airways.

The secret of most reciprocal arrangements is that at least one of the parties is not sure that they can make as advantageous a deal in the market place (Thorelli, 1986). The motivation for the membership of a such a consortium by corporate hotels is judged to be the opportunity to gain a preferential edge over other hotels/hotel groups in integrating vertically with this buying group. However, the prevailing marketing 'muscle' of British Airways still allows it to hold some dominating power, particularly in achieving worldwide representation.

The BAAH subsidiary is one part of a multinational conglomerate and therefore lacks the dependence that other consortia have upon the continuance of individual hotels affiliation. The strategic implications of networks are that they can be viewed as a viable alternative to vertical integration and to diversification, and as an instrument for reaching new clienteles (Thorelli, 1986). It is clear that BAAH is of this form although BA has had in fact an interest in hotels for a long period of its history. In 1975 it had a holding in 45 hotels offering 22,000 beds in 20 countries and by 1979 this had grown to over 80 hotels worldwide, many of these being involved with tour operating businesses. However, the organisation is loath to disclose its actual investment in hotels and does not document exactly which units are involved and how much the airline has invested.

BA's strategy in its link up with hotels relates to the early 1980's when the company realised that its plans would prove to be largely unsuccessful if there was a lack of development of additional facilities that travellers and especially leisure travellers required, including hotels and efficient ground transport.

The goal of the airline to become the largest international carrier therefore necessitated investments in hotel accommodation. In this respect it followed the policy of other firms such as Pan American Airlines, which owned/operated Inter-Continental Hotels and made minor equity investments to facilitate the development of hotel projects. British Airways followed this strategy of minority ownership as a way of guaranteeing associated facilities for its passengers and by 1986 it had invested in over 200 hotels.

The extended analysis has mainly reiterated the influence of the parent organisation upon the aims, goals and operating procedures of its associate. In contrast, the consortium itself lacks any real mechanisms that allow member hotels to state any claim in directing the future of BAAH. Although the term "partnership" is used, hotels are asked no more than to suggest beneficial promotional opportunities, whereas the strategic direction of the consortium appears to remain overwhelmingly in the hands of the parent organisation. This can be contrasted with Best Western Hotels where that 'partnership' is between one conglomerate organisation and individual hotel units (although in certain cases a number of hotels from one hotel group may hold membership).

The similarity in competitive profile of member hotels is probably a major reason for the rather loose affiliation between the consortium and member hotels and between members themselves. For instance, in 1987 the following hotel groups had one or more hotels in the UK which held affiliation with BAAH:

- Commonwealth Holiday Inns of Canada
- Emerald Hotels
- Inter-Continental Hotels
- Ladbroke Hotels
- Penta Hotels
- Thistle Hotels
- Trusthouse Forte Hotels

As previous analysis has shown, the hotels which both form these groups and which are members of BAAH tend to be similar in terms of their location, market level and size range. The influence of the consortium's parent and the target marketing activities of BAAH would also contribute to this homogeneity of membership. This 'strategic matching' may in part further explain their acceptance of a affiliation which does not command more intensive lateral relations between hotel units. In sum, the relationship is both reciprocal and symbiotic where neither side exerts any real power over the other.

6.4 Low Cost Strategy, Structure and Process.

The pursuance of low cost position attributed to Prestige Hotels was seen to be executed through the delivery of membership services by contracted external agencies, the main one being marketing strategy for the consortium itself (by Tom Eden Associates Limited). The consortium organisation also offered other types of services to member hotels including a craft training scheme (sponsored by the Manpower Services Commission, the English Tourist Board, the Caterer and Hotelkeeper publication and the American Express Foundation); business generation benefits (provided by L.M.S. Consultants Ltd); and business efficiency services (provided by Lockheed Ltd) encompassing bulk purchasing agreements with national supply companies.

Although not amongst the largest consortia, Prestige Hotels was nevertheless found to be located amongst the top ten consortia in 1986 and represented member hotels nationally.

Although describing itself as 'an exclusive club of the finest privately owned in Britain', analysis showed that it's hotel members were in fact selected from five grading categories and a large proportion were three star or unclassified. Further, some confusion in ownership compatibility existed eg., in 1987 corporate hotel examples included the Royal Crescent, Bath (bought that year by Norfolk Capital Hotels plc) and Lygon Arms, Broadway which had recently been acquired by the Savoy Group of Hotels.

Earlier findings showed that although fifty per cent of the consortium members in 1986 were corporate hotels, this figure had fallen dramatically in the second year of analysis this reflected the move by a number of hotel companies into the country house sector of the market.

In essence the consortium can be defined as following a broad, low cost strategy through the enlistment of external agencies to deliver services to members, thus reducing the consortium's level of overheads.

Through concentrating on country house hotels - (accepting the confusion in the consortium membership mix noted above) - Prestige Hotels is providing services to a group of hotels which appear to share similar marketing problems:

- the high proportion of direct bookings;
- the individuality of each operation;
- the lack of group marketing muscle (in the case of individually owned hotels);
- the proportionally high cost of marketing, when compared to larger hotels;
- the high proportion of holiday tourism demand (which is difficult to target); and
- the need for a large proportion of demand to be created as opposed to being latent (particularly for hotels remote from commercial areas).' (Wasson, 1988 p 15)

The consortium although attempting to gain a lower cost position for its members has not been able to continuously increase market share significantly. Although the marketing problems noted above must clearly affect many non-member hotels nationally, it seems that not all are suffering to the extent that consortium membership is seen as necessary:

'Although the foregoing levels of gross operating profit may appear disappointing, some proprietors are nevertheless deriving an enviable standard of living from their operations.' (Wasson, 1988 p 18)

The growth potential in the country house hotels market was therefore regarded as only moderate and as a result the consortium turned to new market sectors. Firstly, European markets were identified as exploitive and culminated in the inclusion of European members. This provided a shop

window for Prestige and a platform for a Europe-wide reservation system (Kit Chapman, 1986). Secondly, Prestige Hotels elected its first restaurant member, Chez Nico at Shinfield in Berkshire in 1986.

Other restaurant members recruited by Prestige although having formerly developed through the reputation of their restaurants operate small ancillary accommodation facilities. The concept of country-house hotels assumes the inclusion of a 'highly rated' restaurant and therefore the inclusion of restaurants by the consortium is not far removed from the core business.

Structure and Process.

As established above, the services offered by the consortium are externally sourced, rather than being an integral part of central office structure. This has important ramifications, both strategically and structurally. The advantages of such are low cost access to expertise in the functional fields of marketing, training and purchasing through the employment of specialist organisations. These bring the economies of scale and the opportunity to utilise facilities that a medium-sized operation (consortium) would be unable to support internally. Cost advantages have also been achieved for overseas members as these out-sourced services are a lower cost alternative to the assignment of overseas representatives or the creation of foreign sales offices.

The employment of an outside marketing firm is seen as a means of gaining, at a discounted cost, the services of a marketing, reservation and advertising organisation. This organisation has a virtually arms-length relationship with member hotels (say in comparison with the Marketing Department within Best Western), while it begs questions as to its accountability.

The three out-sourced organisations providing the full range of services are accountable only to Prestige's non-executive committee, and as such are distanced from the individual members of the consortium.

The relatively small size of this committee and the external sourcing of services appears to have consequences for maintenance of quality control. The consistency of members' services/products appear to have little bearing on the longer-term plans of the consortium; indeed individuality of units are seen to be a selling point.

The managing director of the sub-contracted marketing firm serves in an advisory capacity on the Executive Committee of Prestige Hotels, although he lacks voting power. This arrangement ensures that the marketing firm and the consortium can react quickly to significant environmental changes. In contrast with the lengthy decision processes that Best Western have to go through. However, it does question the level of involvement of all member hotels in the determination of marketing decisions and the impact of the overall effectiveness of strategy (low cost). These aspects no doubt have implications for the commitment of members. For example, attempts at increasing referral of trade amongst members had met with some resistance; a pointer to the difficulties of harmonization given the loose strategy-structure and control linkages.

The romanticism involved in owning and operating a country-house hotel, which involves a high level of personal control by owners is reiterated by Wasson (1988) in his study of these units. Without further in depth research into the business motivations of the entrepreneurs involved in this sector, one may surmise that their independent status is paramount to their basic motivations and reward factors.

The continuing influx of hotel companies into this sector, through the acquisition of premises or through the change of use of past historic residences, reflects the rise in competition in this sector. Rather than resulting in tighter alliances within the consortium however these developments may well encourage the strength of and belief in the autonomy of hotel members' operations.

In contrast, cooperation is a way to increase competitiveness vis-a-vis competitors outside the network (Bidault et al, 1992) and therefore at least some aspects of operations, such as promotion and overseas marketing, may be more efficiently and effectively carried out through collaboration. The 'pull' of the consortium will depend on the cost/benefits of the alternatives available in this latter respect.

It may be concluded that the present loose structural, process and control characteristics of the consortium are effective given the present customer base, but that growth and development - particularly on a 'strategic identity' basis - is somewhat limited.

6.5 Transorganisational Developments and Linkages
between Strategy and Structure.

This section attempts to put into context the various consortia groups' strategy, structure and process relationships. No proof of validity is offered, the purpose being to achieve some sense of order of the relative relationships and to provide pointers to possible causal factors.

Within the context of the hotel industry, the various forms of hotel groups may be differentiated upon the basis of looseness and flexibility of structure and processes. From the previous analysis these can be positioned along a continuum of organicity (flexibility and looseness of structure) thus:

Organicity

High	Low
Hotel Consortia	Hotel Companies

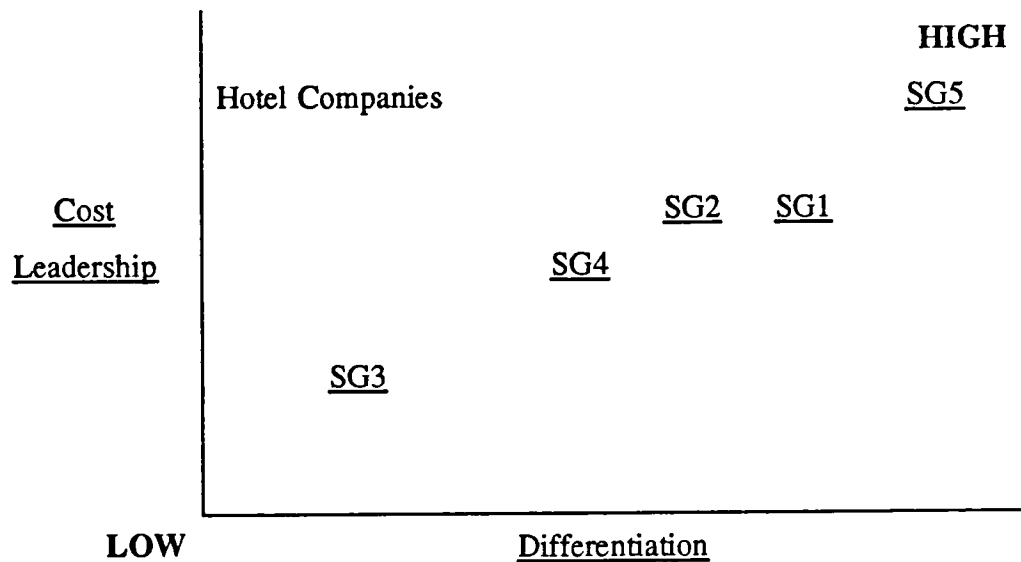
Whereas consortia tend to exhibit high levels of organicity, hotel companies, through their tighter controls of individual hotel units, exhibit relative low organicity.

The initiation and sustainability of a collective, effective (generic) strategy eg., differentiation or cost leadership, is dependent upon accompanying structural features such as low organicity (a tightly structured organisation) which can be equated to say, centralisation.

The structural characteristics of evolving transorganisational forms such as consortia suggest in the main, problems with the enactment of defined concerted strategies. Figure 6.3 plots the strategic groupings of consortia against two emerging strategic dimensions. Here the continuum of organicity

levels exhibited by the various consortia groups is further contrasted with the opposing strategy dimensions of cost leadership and differentiation.

Figure 6.3. Generic Strategies and Organicity.



This loose model serves to demonstrate the notion of the coincidence of an effective strategic alignment with low organicity. That is to say as the organisation structure and processes move along the ‘organicity line’ (increasing) so strategy cohesion among the consortium members is likely to diminish whether cost, differentiation or focus based.

From this loose pattern it can be seen that strategic group SG3 assumes some relative degree of ‘fit’ given the lower organicity and the enactment of a differentiation strategy.

SG5 occupies an appropriate position in the model where the high level of organicity exhibited by consortia comprising this group is consistent with the ‘stuck in the middle’ strategy.

Within the context of this modelling strategic autonomy may be seen to equate to the levels of organicity, and thus differing degrees of strategic control moving along a scale as follows:

Strategic Autonomy

High	Low
Hotel Consortia	Hotel Companies

For strategic groups which display a high level of loose and flexible structure and processes, a significant participative style of management is probably most appropriate. The instigation of any collective generic strategy is again likely to be made difficult to coordinate if controls are assumed to be low or 'voluntary'.

A further dimension therefore emerges relating to the degree of strategic control (or the autonomy of individual hotel units). This may be plotted against the extent of structural and procedural control as in Figure 6.4. This plots the relevant positions of the strategic group sample and the traditional hotel company.

Figure 6.4. Strategic Autonomy and Organicity.

	HIGH	
Organicity		<u>SG5</u> <u>SG2</u> <u>SG1</u> <u>SG4</u>
	LOW	<u>HOTEL</u> <u>COMPANIES</u> <u>SG3</u>
	LOW	HIGH
	Strategic Autonomy	

This model shows that most of the groupings exhibit high to medium organicity potentially therefore correlating with the high autonomy of member hotels. Although this may be perceived as a 'workable' combination this is not consistent with the strategic benefits sought, for example, cost leadership or differentiation. Once again the notion of being 'stuck in the middle' does seem particularly appropriate to consortia given the strategic autonomy of hotel units and compatibility of loose structural and procedural styles.

This representation extends further some of the points stimulated by the first model. The imposition of structural and procedural factors required for the enactment of any generic strategy does not appear to level with this magnitude of strategic containment. For example, SG3, encompassing Best Western Hotels, in comparison to the rest of the sample, can be observed to impose the most rigid organisation structure coupled with certain internal processes and therefore exhibited relatively low organicity. Although these structural features may be seen to be consistent with the enactment of a differentiation strategy, the position of the consortium in the second model suggests that these

structural elements could conflict with the multiorganisational networking nature of this consortia. This may be compared with the ideal hotel company where the strategic control of hotel units is more likely to enable the less difficult instigation of any generic strategy.

A further version of the last model (see Figure 6.5) may be constructed which positions individual consortia against the dimensions - organicity and strategic autonomy.

This reviewed model reflects some of the structural differences between hotel consortia in each strategic group. Similarly to Figure 6.4 it shows that the majority of individual consortia exhibit structural features which are compatible with the strategic autonomy of hotel members.

The three consortia which display intermediate strategic control over member hotels reflect the fact that their parent companies are able to dominant the strategic direction of these consortia. This level of strategic dependency appears to conflict to an extent with the high organicity of these consortia.

Figure 6.5. Strategic Autonomy & Organicity - Individual Hotel Consortia.

		HIGH	
		BAAH Nikko Intl Golden	Remaining <u>22</u> Consortia
Organicity		<u>Hotel Companies</u>	Best Western Consort Inter-Hotels Quality Intl
	LOW	Strategic Autonomy	HIGH
LOW			

However, realistically the relationship between these consortia and member hotels appears more reciprocal and reflects the integration of hotels and certain buying groups in the vertical stream of activities.

Four consortia exhibit low organicity and high strategic autonomy. Whilst the tight structural control exhibited by these consortia is appropriate to cost leadership and differentiation strategy, the strategic autonomy of member hotels appears to neutralise the effect of this control mechanism in the maintenance of strategy.

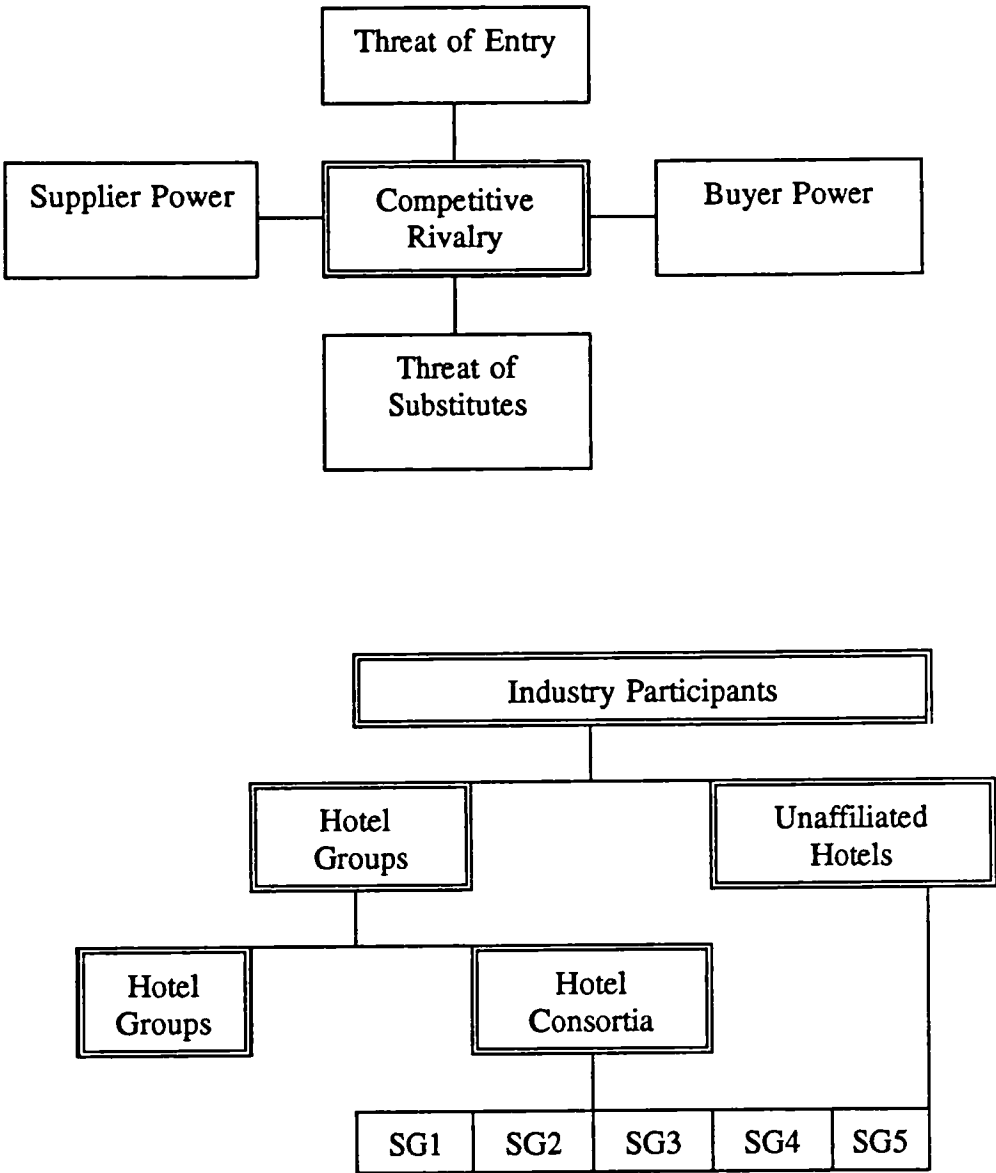
From this discussion it may be surmised that whilst hotel consortia continue to exhibit the properties of transorganisational forms they will be unable to begin and maintain any collective generic strategy. Particularly related to cost leadership, this study has shown that in order for hotels to gain cost

advantages through the membership of consortia they will probably have to sacrifice strategic autonomy or their own characteristic high organicity. Assuming that strategic autonomy is withheld there will remain a conflict between the strategy and structure of consortia.

These suppositions point to the distinctive characteristics of hotel consortia within the hotel industry. Their specific emergence within this industrial context can be seen to be a reflection of evolving segmentation among industry participants. Figure 6.6 displays the position of hotel consortia as a sub-sector of this market and the separation of these into strategic sub-groups. Although competing with all firms in the industry, consortia seem more specifically to hold as their immediate competitors, hotel companies. This may be due to their similar methods of dealing with the fragmentary nature of the hotel industry, through the enactment of either low cost or differentiation strategies, which in turn are mainly directed to gaining some form of demand stability.

Further, the inability of hotel consortia to optimise the structure and process characteristics necessary for sustaining collectively these strategies, in comparison to hotel companies, suggests that they may be viewed more appropriately as strategic networks. They can therefore be viewed as distinctive organisational forms.

Figure 6.6. The Position of Hotel Consortia in the Hotel Industry.



6.6 Summary and Key Findings.

This chapter has explored the transorganisational characteristics and linkages between strategy and structure of a group of three consortia. In the case of pursuance of a differentiation strategy the structure and process characteristics observed were found to **conflict** with the very aim of achieving differentiation, particularly within the hotel industry as a whole.

The attempts to gain a single collective identity and image by the consortium reflect the **contention between the strategic autonomy of individual hotel members and the processes** which serve to curtail elements of this independence. The **strong functional coordination and subjective measurement processes** required to sustain a differentiation strategy. At **functional level the organisation has little or no control over the implementation of strategy** and therefore has difficulty in sustaining any advantages of product differentiation so far achieved.

In pursuing a focus strategy it was found that the **interdependence** of the observed group and its (BAAH) member hotels resulted in the formation of a **reciprocal relationship**. This had led to **structural and process characteristics** which allowed this reciprocity to operate effectively. Ultimately, the consortium stood as a means for both parties to gain **preferential advantages in the vertical stream of activities**. However, the consortium was unable to gain fully from a focused competitive position due to the loose affiliation with member hotels.

The lack of any strategic control over member hotels prohibits the implementation of the tight organisational control necessary for the focus strategy to be completely effective.

Where low cost strategy was concerned at least for the major consortia under observation the emergent **structure and processes posed few problems for the autonomy of individual hotel members** making up the network. The ability to out-source allows for the achievement of economies of scale even with a relatively small market share. However, gaining a low cost position means that services are ultimately less differentiated to the consortium members. Similarly, there appears **little potential to gain a unique competitive position within this sub-sector**, although any attempt to do so would likely lead to more conflict between the members and endanger the low position per se.

The structural properties of evolving transorganisational forms such as hotel consortia suggest mainly problems with the attempted enactment of defined, concerted strategies. Only one strategic group displayed some degree of 'fit' between strategy and structure, although the latter was shown to conflict with the pressure to sustain relative autonomy of member hotels.

The high to medium organicity generally observed accords with the widespread strategic autonomy of member hotels. Within four individual consortia, low organicity corresponded with the attempted enactment of low cost or differentiation strategies. However, these attempted matchings appeared nullified by the lack of procedural controls.

The notion of being 'stuck in the middle' appears particularly appropriate to consortia given the above findings. Whilst competing within the hotel industry along side hotel companies, the inability of hotel consortia to optimise structure and processes in order to maintain competitive advantage implies that they perhaps can only exist as no more than loose strategic networks.

Whatever the pressures to form and sustain (traditional) unidirectional strategic behaviour, it is clear that in general member hotels will only respond to the extent that it suits their individual goals. As the variability of response is likely to be correlated with membership size then growth of consortia (and thus the power they can amass) will be limited by their variability to exercise strategic direction and control. We might then conclude that in view of the importance of strategic direction and structure, coupled with the inevitable dynamics of the industry and its environment, long term stability and effectiveness of consortia (competitive advantage) is questionable. This being the case what emerges from the existing consortia groupings themselves in the future, poses an interesting question.

CHAPTER 7. MAIN SUMMARY AND CONCLUSIONS.

7.1 Main Summary.

Utilising the concept of substitutability, it was found that the UK hotel industry comprised firms that met the characteristics of hotels as re-defined by the author while other forms of accommodation could be regarded as substitutes only within a narrow range of market segments and circumstances.

The hotel industry exhibits only low seller concentration resulting in a high intensity of rivalry among participants. The concentration and therefore bargaining power of buyers is considered variable. Whilst commercial buying groups are able to wield bargaining power over industry competitors, the majority of buyers (independent travellers) hold much weaker positions on which to negotiate.

Entry into the industry is generally easy, although conditions of entry increases in certain sectors of the market where capital and other requirements make admission more difficult.

The forces determining industry competition include the pressure from substitute products which recognises that all firms in an industry are competing in a broad sense with industries producing substitute products. Applied to the hotel industry, substitute products are mainly limited to certain narrow sectors.

In the hotel industry no single firm holds sufficient market share to the extent that it could significantly influence the industry outcome. In the hotel industry seller concentration was found to be less than eleven per cent at the time of study with thousands of firms making up the remainder of the market. Small independently owned/operated firms appear to dominate this industry, most of

which operate only in this market.

In this study, the majority of hotel consortia were found to be single product firms. This single product strategy assumes the implicit goal of the provision of services to hotel members.

Market penetration appears to be a prime strategy of those airlines involved in the operation of hotel consortia, but also these exhibit integration strategies in a horizontal direction through the development of consortia as well as equity arrangements with hotel units.

The external situations of certain hotel consortia ie., divisional subsidiaries of a larger conglomerate clearly had an affect upon their competitive strategies within this single market structure. The majority of hotel consortia exhibit **low cost strategies**, either directed broadly or focused towards particular market segments.

Only one consortium (Best Western Hotels) appears to display a combination of scope and resource commitments corresponding to a **differentiation strategy**.

Eleven out of the twenty-nine consortia strategies studied were recognised as conforming to the category, 'stuck in the middle'. The study can be seen to have progressed from a recognition of twenty-nine hotel consortia to the identification and analysis of five groupings which represent very different approaches to competing within this sub-sector. The final groupings identified display a wide range of competitive approaches.

Group specific barriers amongst the hotel consortia groupings appear overall to be low reflecting the general, relatively low industry entry barriers. Those consortia following focus strategies were found to hold very small relative market shares, whilst one strategic grouping, comprising only one consortium,

reflected the link between a relatively high market share and (surprisingly) differentiation strategy.

Although somewhat static and rigid, this interpretation of strategic group formations has enabled marginal groups to be identified. The fifth strategic grouping comprised an assortment of consortia which had no readily definable strategic grouping alignment.

Amongst individual hotel consortia, customer (hotel) profiles appear to be relatively homogenous and this to some extent explains the different strategies between groupings and further, the variance in competitive styles between individual consortia.

Application of the transorganisational networks concept enhanced the analysis of the nature and composition of hotel consortia, whether independently owned and operated or as unit subsidiaries of hotel companies.

Some important implications of the networks paradigm include the fact that they can be viewed as viable strategic alternatives to vertical integration and diversification and as an instrument for reaching new customer markets. Transorganisational developments help firms to create partnerships with other firms in order to perform tasks or solve problems that are too complex for individual firms to carry out.

Additionally, networks are a mode of organisation that can help managers or entrepreneurs to position their firms in a stronger competitive stance. The purpose of hotel consortia, irrespective of the products and services they offer, revolves around being able to compete more effectively in the hotel industry (either through increased trade or through more preferable relations with suppliers and/or buyers). Marketing in particular was found to be a function that appears to significantly benefit from collective resources.

The hotel industry is characterised by a high degree of integration with other industry sectors and much uncertainty concerning future demand (in an analysis of this industry, all firms irrelevant of size were found to be effected by demand instability).

The majority of hotel consortia were found to be only loosely structured and therefore seen as relatively unorganised, collectively. Consortia exhibiting the signs of low cost strategy were found to exhibit high levels of organicity rather than being tightly structured and centrally controlled as might be expected in such a strategic mode.

From an extended analysis of three consortia further connections between strategy and structure and the transorganisational characteristics were established. However, these structural and procedural facets were found to conflict with the strategic autonomy of individual hotel members in the case of one consortium.

The high level of organicity exhibited by one consortium in the sample reflected the strong autonomy amongst individual member hotels. Although external sourcing of services (in this case) results in certain economies of scale, the constant search for new business opportunities reflects the battle to sustain and to capitalise on any cost advantages.

Where a focus strategy was followed there appeared also to be a lack of ultimate strategic control over member hotels. However, similarly, this relatively high level of organicity is in conflict with the necessary tight organisational control required for the continuance of a focus strategy.

The findings related to the above consortium point to a potential divergence in goal and strategic consensus amongst consortia and/or individual hotel members.

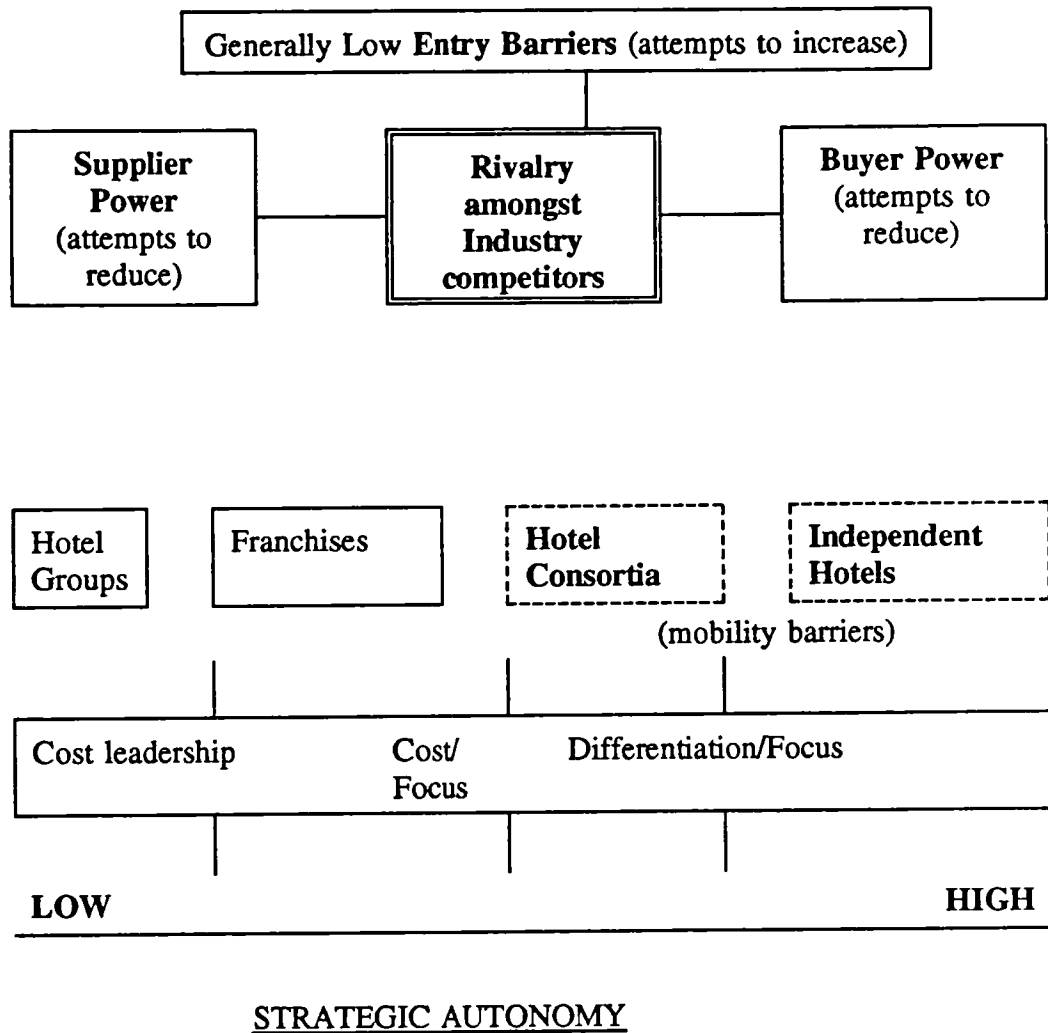
The research has emphasised the difficulties of managing transorganisational forms. The structural features of consortia, as evolving networks, have been shown to conflict with the establishment and sustainability of any one of the three traditionally accepted generic strategies. Therefore, the notion of being 'stuck in the middle' does appear most appropriate to these organisations.

7.2 Conclusions.

The identification of multiple strategic groups does indicate that the forces of competitive rivalry in this fragmented industry are not equal in measure to all hotel consortia. Further, it has been found that the structure and process elements among these groups also vary significantly mainly as a result of the transorganisational development characteristics. Although for hotel members the characteristics of these transorganisational forms enable camaraderie with fellow hoteliers which they may feel is beneficial, the lack of consortia strategic control clearly affects members' (collective) ability not only to maintain their chosen strategic positions but also to be more competitive within the hotel industry per se.

Although all firms in the industry, irrespective of size are affected by demand instability, the distinct behaviour of hotel companies in the concentrated end of the industry means that they can harbour some market stability through differentiation and low cost focus strategies achieved mainly through the strategic dependency of hotel units. This also applies to those units that are franchised where interdependence is likewise achieved, although the hotel company lacks ultimate equity control. (Figure 7.1 shows the position of hotel companies and consortia within this market structure.)

Figure 7.1. The Strategic Position of Hotel Consortia and Hotel Companies within the Hotel Industry.



This latter point probably holds the key to understanding the conditions that may lead certain strategic groups to develop, in bargaining terms, additional power over certain buyer groups and in rivalry terms, the ability to compete more favourably with hotel companies. These conditions include strategic interdependence and consensus. If able to gain these, consortia following a differentiation policy may well emerge as forms of franchise organisations.

For example, the strategic actions and structural form of Best Western Hotels can be seen as an attempt to increase strategic dependency among hotel members.

However, these characteristics influencing change appear to have originated from hotel units themselves and probably only a significant change in the competitive forces of the industry will lead to such a realignment. The fact that the great majority of firms in the hotel industry remain unaffiliated means that entry barriers and the ability to operate in the industry are still relatively easy. The majority of strategic groups identified enact low cost positions, although hampered in achieving these due to the transorganisational aspects discussed earlier, they continue to survive for the same reasons that unaffiliated units do. However, the continuation of these consortia is heavily dependent upon membership enlistment.

It could be surmised that in the longer term, dissatisfaction with their inability to gain and maintain cost advantages may lead to the disintegration of the least effective consortia and their exit from the sector and industry.

Further, the ownership of consortia by integrated conglomerate firms also assumes a certain element of impermanence. The likelihood of the hotel consortium continuing within one of these larger concerns depends largely upon changes affecting goals and strategy of these parent companies.

These conclusions point to the dominant impact of **organisation structure and process** upon the strategic orientation (and long term survival) of individual hotel consortia. Returning to Chandler's (1962) original narrative, the structure of consortia appears to have an unidirectional influence upon their resultant strategy. Therefore, operational cohesion (if one considers the collective performance of the member hotels) and competitive gains may be left to chance. These features, as well as the strategic diversity amongst hotel members within a consortium, all serve to question long term viability and the

collective effectiveness of these organisations within the hotel industry.

In addition, the concept of being 'stuck in the middle' may be more a reflection of the inherent diversity of member hotels than the inability of the central consortium organisation to enact a viable strategy and enforce a suitable structure and process. In selecting potential new members hotel consortia have sought new hotels displaying some uniformity with present members addressing attributes such as location, size, market level and 'quality' standards in the selection criteria. Recruitment appears to have ignored the importance of shared goals amongst decision-makers within member hotels (with the exception perhaps of the common aim of profitability) and, therefore, divergent objectives are almost bound to prevail.

The overall analysis points to the **uniqueness of hotel consortia** as part of the hotel industry, their strategic and structural inconsistencies being an inherent result of the particular transorganisational type of development. The analysis of these strategic alliances has, more than anything, shown that their particular transorganisational development and status defy the usual strategic rationale analysis particularly in terms of strategic grouping. Hotel consortia are not corporate entities in the usual sense, while the variation in their compositions exacerbates the problem of comparative analysis. Nonetheless, this research has painted a rich picture of industry structure and competitive rivalry, emergent strategic groupings, transorganisational developments and the complex inter-relationships that few industry sectors can equal.

A further general finding has emerged from this study. In relation to the competitive components of the hotel industry, this investigation has shown that in order for firms to compete they must seek to achieve economies of scale (to minimise the bargaining power of both supplier and buyer groups). In addition, in order to gain demand stability, they must also endeavour to access a broad market base. However, these competitive conditions point to the enactment of distinctive, contradictory strategies.

It can therefore be surmised that as the present conditions in the industry prevail, many firms, including hotel consortia, will be unable to gain significant competitive advantage.

7.3 Recommendations for Further Research.

Whilst the scope of this study has been centred on hotel consortia as a characteristic of interorganisational development, the findings have highlighted the need to address the deeper aspects surrounding hotel members and their relationships with the central organisation. It is perceived that this analysis could be valuably extended through an in depth evaluation of the **characteristics of the multiorganisations that comprise consortia**. This would necessitate more of a psychological and sociological investigation.

Although some limited longitudinal study has been attempted with respect to the hotel industry, this evaluation of strategic groups within hotel consortia can be termed no more than a static analysis. Therefore, it is recognised that a **longitudinal study** would be an appropriate vehicle to explore both the development of hotel consortia strategic groupings and their strategic, structural and process characteristics as transorganisational forms over time. This is particularly relevant given the conclusions with respect to consortia long term stability and the anticipated changes arising from this study.

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**Appendix 1. Framework Questionnaire for Semi-Structured Interviews
and List of Specific Respondents.**

1. Hotel Consortia.

Consortium:

Respondent's Position within Consortium:

History of Consortium.

When was the consortium formed ?

With what aims/objectives ?

Example of changes that have occurred in its history ?

Ownership of Consortium.

Which company ultimately owns/operates consortium ?

History of the development/formation of this parent company?

Goals/objectives of the parent organisation ? (unrelated or related to consortium operation - prompt where necessary)

Main/ Core activity of the parent company ?

Strategic orientation of Consortium (if different to above - in relation to parent company) ?

Consortium at Corporate Level.

Size of organisation - measured in number of hotel rooms represented (prompt where necessary ie., up-to-date membership statistics) ?

Internationalisation of Consortium (membership details overseas)?

Extent of operational bases in the UK and Overseas ?

Is the consortium organisation profit-making ?

Competitor Analysis.

Which organisations do you believe your consortium competes directly with ?

Which organisations do you consider when making strategic/tactical decisions ?

Where would you position your organisation in the hotel industry ?

Consortium Products/Services.

Extent of Marketing Services to members (prompt where necessary ie., public relations, programmes, sales offices) ?

Services specifically to end-users ?

Operation of Reservation System, and the extent and operational details of this system ?

Details of Human Resource Management Services (where applicable) ?

Details of Production Oriented Services (where applicable) ?

Membership Details.

Are potential members approached or do they approach the consortium to be considered for membership ?

Why do you think hotels join/ want to join ?

Subscription and contractual details (prompt for details on length of membership) ?

How are member hotels chosen (prompt for details of membership specifications/regulations)?

Who has the responsibility for the enlistment of new members ?

What is the percentage of accepted to rejected new members (or similar selection details) ?

How many members renew membership ?

Characteristics of Members (prompt if necessary - market level, location, size, ownership etc.) ?

Organisation Structure & Processes.

Have you a copy of your organisation structure ?

If not - can you explain the structure of your organisation or how the organisation works ?

How many people are employed (approximate full-time equivalents) ?

How many full-time executive heads are employed ?

In which areas (prompt if necessary - functional, regional etc.) ?

Are all services/facilities provided internally ?

If not, which services are externally sourced and why ?

Are there any internal controls/regulations that hotels must abide by ?

How are these policed ?

Decision-Making processes.

Who is involved in deciding upon the strategic direction of the consortium ?

Does the consortium have mechanisms in place to allow for member hotels to take part in the decision-making processes of the consortium (may need to prompt here) ?

How are the allocation of resources decided ?

Present and Future Strategic Decisions.

Can you explain the consortium's current strategic direction ?

Have you any ideas as to where the organisation should go in the future (prompt on membership numbers/characteristics, services etc. if necessary)?

3. List of Specific Respondents.

March Hancock, Chief Executive Officer, Best Western Hotels.

Richard Arman, Membership and Training Manager, Best Western Hotels.

Gina Lazenby, Press and Public Relations Officer, Best Western Hotels.

Tom Eden, Marketing Director, Prestige Hotels.

Denise Carpenter, Sales Manager, British Airways Associate Hotels.

Bob Rouse, Sales and Marketing Director, Trusthouse Forte Hotels.

Appendix 2. Assessment of the Hotel Consortia Sample.

Hotel Consortium: Best Western Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	23
Business Level	44
Functional level	39

This consortium is a franchisee of the American consortium Best Western International Hotels. It is therefore an **international division of a single product firm**, but enjoys a high level of autonomy in operational terms in this country.

Corporately, Best Western is a **large organisation** in terms of both size and it's structural characteristics. It employs a substantial number of staff, and thus operates a **sophisticated organisation structure** incorporating a number of full-time executive functional heads as well as a **non-executive committee structure**. This consortium offers the **highest number and extent of services** amongst the whole sample, they are **sophisticated and well-developed**. It incorporates several group brochures, a full range of products and programmes, a central reservation system and both national and international sales offices. The link with the international franchiser enables increased emphasise is placed upon international promotion. Liaison with buying groups is well developed in the form of group and corporate programmes (managed by separate divisions, functionally) and certain target markets such as business/corporate clients and short break programmes are well- established within the wider industry.

Other management services are also offered including sales and marketing training, a range of bulk purchasing benefits and product logos. The latter element fits into the "branding" objectives of Best Western. In fact, this overall corporate and marketing objective of corporate identity and image has enabled this consortium to **gain differentiation** within the hotel industry - it is featured as a major organisation in the National Opinion Poll (1990) Survey of Hotel Guests in Britain, alongside mainly hotel companies.

In relation to the functional level, in 1987 Best Western Hotels members were **nationally diverse** in location, were relatively **targeted in terms of market levels** (three star hotels predominating), averaged **49 rooms**, and **more than 20 multiple and corporate hotels** were represented. On closer examination, the consortia was found to have re-oriented in terms of the market level category of member hotels in 1987 compared to the previous year, when the market level of its members were more diverse.

Although total membership numbers only increased slightly in the second year this does display the consortium's commitment to the rationalisation of member hotels so as they are more consistently positioned in terms of the level of service/facilities provided. Therefore, this consortium is **the most national of organisations to be more specifically market targeted** in the hotels it represents. Other functional characteristics have remained similar over the two year period, only a slight increase in the number of multiple members was noted in the 1987 findings.

Relative to the large portfolio size of Best Western, the numbers of these members as well as those corporately owned do not account for a high proportion of the total membership.

Hotel Consortium: British Airways Associate Hotels (BAAH).

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	17
Business Level	33
Functional level	33

This consortium is one division of the Associated Companies owned and operated by the **state-owned airline conglomerate**, British Airways. The Associated division of this company comprises related service/products (including the consortium) to the dominant activity of the organisation, which is the provision of facilities for worldwide air travel.

The strategic orientation of this consortium is therefore to provide an **additional service to the prime customer group of the airline**, frequent business travellers, and this orientation is witnessed in the services and membership of the consortium. BAAH, although large in terms of its hotel portfolio size, **corporately is less tightly structured.**

It employs only **one full-time marketing executive** within a **small subsidiary** of this division of British Airways. **Member hotels are not represented in the decision-making process** of this consortium and therefore a Non-Executive Committee is not in existence.

In terms of the provision of services, BAAH produces a worldwide directory and other **complex marketing services**. Its **promotional activities ultimately take advantage of its association with an airline parent**. BAAH utilises the airline's **reservation system**, which also includes the advertisement of member hotels in the majority of the airline's promotional literature (including timetables). The consortium in being aligned to a specific market segment ie. business travellers worldwide, also targets the frequent traveller and the travel trade at large. Public relation activities are extensive due to the joint funding of these services between the parent and the consortium subsidiary, no doubt a factor of the former's size also.

International representation is serviced particularly keenly.

BAAH offers **no other management services** besides these extensive marketing benefits.

The majority of BAAH's member hotels are **four star rated**, average over **100 rooms** each, **over 80% are corporately owned** and very few hold membership of other consortia. These findings remained consistent during both years of analysis. In location terms, the hotel members comprising BAAH display some location characteristics, however, not necessarily in terms of county representation, making them **more regionally diverse**. They show a **consistency in airport and municipality locations**.

In conclusion, BAAH's hotel portfolio is **national** in locational terms but **specific in market levels**. Its hotels are mostly **large and corporately owned**.

Hotel Consortium: Concord Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	20
Business Level	9
Functional level	32

Concord Hotels is a **single product firm**, its only business activity being the operation of a hotel consortium in the UK. It is of a **medium size**, representing over 1,500 hotel member rooms. Although not employing a large amount of staff, this consortium does have **functional executive heads**. The consortium has a system of member involvement in the whole human resource aspect of this organisation's primary function, therefore the **non-executive committee structure** merely holds as a communication and contact point between the consortium and its members. The corporate level analysis of this consortium therefore identifies that it operates a **tighter structure**, but this is on a **smaller scale** when compared to the larger consortia, such as Best Western.

Concord Hotels provides **explicitly human resource management services**. As it specialises in this one managerial area the services it offers are most advanced compared to the rest of the sample that may offer marketing and production-oriented services as well. It therefore provides five of the six human resource management services listed as dimensions. Due to its orientation, sales and marketing training is only undertaken as part of the management training scheme.

In following largely training and educational aims this consortium also liaises with appropriate institutions in providing additional off-the-job educational programmes.

Concord Hotels members were predominantly **three and four star** and their average size was between **50 and 99 rooms**. **45% were corporately owned/operated** whilst **65% were multiple members** in 1987, this figure had been **55%** in 1986. They are also **more regionally based**, although membership became slightly more diverse locationally in 1987. This type of consortia requires hotels to be located within closer proximity to the head-office of the consortium, due to the local control that human resource management services require.

Concord Hotels therefore mainly represents **market specific** hotels within **certain locational parameters**. Due to the numbers of **multiple and corporate members** within the consortium, hotels tend to be **relatively large**.

Consortium: Concorde Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	10
Business Level	26
Functional level	22

Concorde Hotels owns and/or manages hotels several countries, and is ultimately owned by a **hotel and catering conglomerate**, Societe du Louvre. It also offers an arrangement with the least control over associated hotels, that of hotel consortium membership.

This appears to be a strategic move to increase its representation in the 'prestige' hotel category, without risky equity involvement. In being an off-shoot of it's french parent company, Concorde Hotels in the UK **corporately did not exist**. Liaison with it's two members was therefore found to be carried out directly with the headquarters organisation.

This consortium offers **internationally-oriented marketing services** and member hotels are linked to both the **central reservations** of the combined **hotel groups** operated by the parent firm and an outside organisation, **Supranational Reservations**. Target markets are both business and leisure customer groups. Its 'Concorde Privileges' programme promotes the exclusivity of hotel members for leisure purposes. **Incentive travel and conference brochures** are produced by this french consortium. **No other management services** are provided.

Concorde Hotels has increased the market level and locational consistency of it's hotel members during the two year period, this is largely due to the resignation of one member hotel, it was therefore classified as a **market and**

location specific consortia in the second year of investigation. The average size of its member hotels was **255 rooms** in 1987. Due to the exit of one member, the consortium had **100% corporate hotels** in 1986 which fell to **66%** in the second year. In both years **all members were also affiliated to other consortia.**

Consortium: Consort Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	24
Business Level	38
Functional level	43

Consort Hotels is an **indigenous, single product firm**, which in 1987 was the **largest consortium**. Correspondingly, it was found to **employ a large number of staff and executive heads**. Although not such a sophisticated **non-executive committee structure** as Best Western Hotels, this consortium encompassed a formal mechanism to allow for the involvement of member hotels in the decision-making of the organisation.

The **widest range of marketing services** were offered by Consort Hotels. In relation to the **sophistication and extent of programmes and products** offered and promoted within the UK, this consortium along with Best western Hotels, was most prolific. Compared to some international organisations its services were **less targeted to overseas representation.**

It did, however, operate **sales offices** in New York and Frankfurt, and in this country they were located in London, Edinburgh and Cardiff.

The consortium provides **sales and marketing oriented training schemes**, as well as a **buying directory, a purchasing survey and product logos and credit card facilities.**

Consort Hotel's drive in 1986 to capture a large number of new members resulted in a **large disparity in the market level** of its member hotels at this time. However, in the second year of analysis most of its members were found to have been three star rated, although several others were four star and unclassified. Therefore, the consortium was beginning to gain more consistency in its membership's service and facilities standards so that in 1987 it held only a **medium level of variation** in this category. The average size of hotel members was approximately **50 rooms** for both years. The consortium has a **large number of corporate and multiple members**, but these numbers are not significant in terms of the total number of hotels holding membership during the two years. It is one of the most **nationally aligned consortia** amongst the sample.

Consortium: ExecHotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	22
Business Level	13
Functional level	35

ExecHotels is one of the consortia owned by Ambleside Ltd, the latter is a **single product firm** however, operating only two consortia in the UK. It has a large number of hotel members, making this the **fifth largest** consortium amongst the sample in 1987. In terms of the consortium's number of full-time employee it reflects the plurality of the sample by **employing less than four members of staff**. It does operate a vague **non-executive committee structure** and has **full-time executive heads** drawn from the total number of employees. Overall, this organisation has a **tight, but small corporate structure**.

Minimal marketing services were supplied to members. The organisation **lacks a formal reservation system**, enquiries directly to member hotels were emphasised and **referral** is strongly encouraged amongst hotels because of this. **No specific products and programmes** are designed for use of member hotels to target different customer groups except a minimal leisure scheme incorporated into this consortium's group brochure. Only a **small range of purchasing services** are provided to members.

ExecHotels is **relatively market specific** in terms of its member hotels, the majority were **two star and unclassified** and were **small**, operating an average of between 20 and 29 rooms.

Only a **modest number of members held corporate membership** and although a fairly **high number of multiple members** were recorded in both years, this figure proved **not proportionately high** considering the total number of hotels represented by this consortium. The consortium was found to be one of the most **nationally-oriented**.

Consortium: Golden Tulip Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	18
Business Level	27
Functional level	33

Golden Tulip Hotels also owns and operates hotels as well as providing consortium membership. Its parent company is K.L.M. Royal Dutch Airlines the Netherlands airline carrier.

From operating only a consortium organisation, in recent years Golden Tulip Hotels has extended its affiliation with hotels to incorporate managed and owned units. The disparate strategic direction between the ultimate owning organisation and the hotel company further compounds the fact that in the UK, the latter organisation represents hotels through a more unbinding relationship ie., they do not own or manage any of the properties.

These elements were significant in terms of the corporate structure of Golden Tulips in the UK. **One member of staff is employed as Sales Director** for this country, who promotes the organisation worldwide as well as those UK members. Thus, all corporate activities were **contained centrally**, in the Netherlands. The consortium therefore had a **loose corporate structure**.

Although the link between member hotels and the ownership of the consortium was more distorted, the over-riding corporate objectives related to the recognition and utilisation by airline passengers worldwide appeared to necessitate **more closely coordinated marketing effort**, which was advantageous to members. The **marketing services** provided were correspondingly **more international in scope**. National and international sales offices were provided as well as a **central reservation system**, allowing links to the airline's facility which was a part of a global distribution consortium. As with BAAH, Golden Tulip Hotels enjoyed other connections with its owning company's marketing efforts. **Corporate and frequent user business schemes** were provided in order to tap the main target market, the business traveller. **No other management services** were offered except these **extensive, although closely targeted marketing benefits**.

In both years of the investigation the consortium's members remained relatively **market specific** - mainly **three and four star hotels** as well as of a **large size**, considerably averaging over 100 rooms. Golden Tulip states that the location and ownership of hotel members is important - witnessed in the **predominance of corporate members**.

Whilst the location of most member hotels was in municipalities, the majority were London hotels, therefore compared to BAAH this consortium was more **locationally concentrated**.

Consortium: Guestacom.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	22
Business Level	10
Functional level	25

Also owned by Ambleside Ltd, this consortium is a national, single product firm. Its corporate structure characteristics therefore relate exactly to ExecHotels, it's sister organisation. Although it had a large number of member hotels in both years, in terms of total room numbers this consortium is of a **medium size**.

This consortium offers only a **minimal range of marketing services**. Similar to its sister consortium, some **bulk purchasing services** are provided.

Guestacom's member hotels were **targeted in the lower market echelons**, it offers membership to guesthouse establishments as well (not included here). It's hotels were also **small, averaging 9 rooms**. There was a complete absence of corporate hotels, the consortium attracting **only independently owned units**. A moderate number of multiple members were included in the portfolio of this consortium, but these amounted to small numbers overall due to the large number of total member hotels. Similar, to ExecHotels, this consortium was **nationally-oriented**.

Consortium: Hospitality Hotels of Cornwall.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	14
Business Level	14
Functional level	18

Hospitality Hotels of Cornwall is an **indigenous hotel consortium**, it is involved in no other activities. Corporately, only **one member of staff** were employed, reflectant of the **small size** of this consortium and the few services that are provided for member hotels. Consequently, it was administered by a **minimal, independent structure** and did not operate a non-executive committee system.

In terms of benefits it offers to members these were mainly **locational marketing services**, besides a **group brochure** only **two or three other products/programmes** were provided. There were no international linkages or promotional outlets and although a **reservation system** was provided as such, this was a manual rather than a computerised system. No other management services were provided.

The consortium comprised **two and three star** member hotels with an average size range of between **30-39** rooms. In both years of investigation, Hospitality Hotels of Cornwall represented **no corporate hotels** and only a **few members held multiple membership**. As reflected in its title, this consortium represents **hotels only located in Cornwall**. Coupled with the star rating consistencies of hotel members, this is **both targeted regionally and in terms of market levels**.

Consortium: Hospitality Hotels of Northern Ireland.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	13
Business Level	17
Functional level	21

This is again an **indigenous hotel consortium**. It is a **very small organisation**, less than 200 rooms were represented in 1987.

Less than 4 staff were employed, a couple of these being executive heads and therefore the consortium was administered through a **minimal, independent structure**. Hotel members were not embodied formally in the decision-making procedure of this consortium.

Locational marketing was the main emphasis of promotional services provided by Hospitality Hotels of Northern Ireland. It appeared to **target leisure users** and offered marketing packages in association with **tour operators and travel agents**, particularly on the British mainland. Besides a **central reservation system**, little other sales and marketing functions were available.

In 1986 the consortium held hotel members from a variety of market levels, however, in the second year, they were predominantly classified as **three star hotels**. The size range of hotels averaged between **20-29** rooms for both years. Few hotels were corporately owned/operated although a **larger number were multiple members** reflecting hotels seeking further representation or services in addition to those provided by this consortium.

As the title of this organisation suggests, hotels were **located within Northern Ireland**, the consortium thus covered a number of counties but within this one region.

Consortium: Independent Llandudno Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	12
Business Level	4
Functional level	12

This consortium displayed the **lowest or minimalist scores** for each level of analysis. An **indigenous hotel consortium** this organisation represented less than 75 hotel rooms, making it the **smallest of the sample**. In terms of employees, it was not clear as to the exclusivity of the one member of staff listed, as he also seemed to own/operate one of the participating hotels. Correspondingly, there was **no formal decision-making structure**, although in only representing five hotels in the same resort, communication was presumably close.

It comprised hotels solely in this North Wales location. The consortium did not provide a corporate or group directory but merely **distributed the brochures** of member hotels. Likewise, it did not yield any other marketing facilities besides a central point where reservations may have been forwarded to participating hotels.

80 per cent and over of hotels belonging to Independent LLandudno Hotels were **unclassified** in terms of star ratings.

Although it is wrong to speculate about their market level based upon a voluntary classification system, the consortium did offer membership to other forms of accommodation such as guest houses so may one surmise that the majority of member hotels were outside of the terms and standards laid down by the system. The average size of members was between **20-29 rooms**. The consortium represented **purely independently owned/operated hotels** which held membership of only this one organisation. As previously stated, hotels were confined to the **Llandudno area**.

Consortium: Inter-Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	26
Business Level	36
Functional level	30

Another consortium with its **origin in this country**, Inter-Hotels is a **single product firm**. In employing between four and 15 staff, proportionately more than the majority of consortium, it may be perceived as a **medium-sized organisation** and obviously also had **full-time executives** in positions of functional heads.

The consortium also operated a **non-executive structure**, although less complex than that displayed, for instance, by Best Western Hotels. Inter-Hotels was ranked **sixth in terms of organisational size** in 1987.

The consortium offered a **full range of sophisticated marketing services**, although in comparison to the largest consortia, these were directed at more middle to lower range market units and were less extensive. Marketing services were **not really international in scope**, the consortium had members and an additional administrative presence in the Republic of Ireland, as well as a **loose affiliation with other European consortia**.

It did have an additional **sales offices** in Scotland. A **central reservation system** was provided and a **business section** promoted the conference and function trade through a business card system known as a 'Sapphire Card' (a free discount card to business travellers) and a 'Venues Handbook' of conference and business meeting facilities supplied by member hotels. **Several leisure programmes** offered inclusive weekly packages including rail travel and the promotion of car tours within the UK.

Other management services offered to Inter-Hotel members were **bulk purchasing facilities and training**, but only in relation to the **selling and marketing** of their individual hotels.

The consortium represented largely hotels from a **diverse range of market levels**, although in the second year of analysis the findings show a dominance of **two and three star hotels**. The average size of hotels became smaller in 1987, between **20-29 rooms**. **Very few corporate hotels** were members in 1986 and these had left or reverted to independent ownership in 1987 when the findings showed the existence of no such members. **Quite a large number of multiple members** were found during both period, however, the total numbers were not high relative to the size of the consortium. Inter-Hotels is **nationally aligned** in its hotel portfolio, although slightly less so than consortia such as Consort and Best Western Hotels.

Consortium: Leading Hotels of the World.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	15
Business Level	28
Functional level	27

Leading Hotels of the World (LHOTW) is an **american consortium** which, as the titles represents hotels internationally. It was found to have **minimal staff** in this country, these mainly promoted all European hotel members of the organisation. The majority of services were therefore centrally enacted at corporate headquarters and the organisation did not facilitate a formal mechanism of non-executive decision-making.

The consortium mainly promoted internationally through the use of **18 sales offices**, a **central reservation system** and **worldwide group directories**. It offered both a **corporate rate scheme** to business users whilst **incentive and meetings packages** were also available to this similar group of end customers. It had developed an **additional leisure programme**, entitled "Great Affordables", which is a programme running throughout the year or at only off-peak periods which allows end users savings on room rates, tours, dinner and so on in association with member hotels. No other management services were offered by this primarily international consortium.

LHOTW appeared to be a **truly market oriented consortium**, its members dominated the **four and five star** categories. Due to the predominance of corporately owned hotels at these market levels in the UK, it was no surprise that **73 %** of the consortium's members in 1986 were **owned/operated by hotel companies**, a figure that rose to **90%** in the second year. In line with these findings, the average room size of hotel members was 149 rooms. In 1987, **82 per cent of hotels were also members of other consortia**. Consistent with the ownership, market level and size characteristics of the members of LHOTW, **locationally they were oriented to certain areas, London predominating.**

Consortium: MinOtels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	21
Business Level	29
Functional level	27

MinOtels is an **indigenous consortium** which is **medium-sized** in terms of the number of full-time employees it comprises as well as the total number of hotel rooms it represents. It was closely **associated with affiliate consortia abroad** during the period of investigation.

Similar to other national consortia it operated a **non-executive committee structure** and its **Chairperson was elected from amongst the owners/managers** of member hotels. In addition, **full-time executive heads** were employed. The consortium may be described as possessing a **small, independent structure** due to the smaller amount of staff and simpler committee structure that it operated in comparison to larger firms such as Consort and Best Western Hotels.

Minotels provided a **smaller but extensive range of services**, covering marketing, purchasing and training. The consortium attempted to attract smaller, independent hotels and its products were mainly oriented towards attracting **leisure users**. It offered a **short break programme** and contacts with **tour operators** - a group booking scheme is operational - and **travel agents**. A **central reservation system** was available for the benefit of member hotels although **internationally links were more loosely defined** - a reciprocal referral arrangement with other hotel consortia was in operation. A **small range of production oriented services** to member were available.

As stated previously, MinOtel's member hotels were predominantly **two star and unclassified** in terms of market level ratings, although a significant amount of members were also in other categories. Of more significance was the average size of members which did not **exceed 19 rooms** in both years of analysis. **Independent hotels** were also targeted, compared to those corporately owned/operated, and the consortium held few multiple members in total. Finally, this consortium can be described as comprising **nationally oriented, small, lower market independent hotels**.

Consortium: Nikko Hotels International.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	19
Business Level	28
Functional level	29

Nikko Hotels International is an extension of a hotel operating company, which is ultimately owned by Japan Airlines. It is therefore international in scope and exposure. Similar to Golden Tulip Hotels this consortium had a minimal administrative centre in this country, the one employee also served to promote Nikko Hotels internationally from within this country. A **shared corporate structure** was therefore the characteristic of this consortium, and **few other administrative services** were performed in the UK.

In line with the ultimate owner of this consortium, a **computerised reservation system** was an important part of its distribution network, along with a worldwide group directory. As with the other airline linked firms this was able to **take advantage of the promotional power of it's parent**. **Corporate business schemes** were offered, establishing also the importance of business travellers as a target end user group, in amalgamation with the division of Nikko that owned and managed hotels.

No other management services were offered to members except these **focused marketing benefits**.

Nikko Hotels International comprised **four and five star hotels** as well as those of unclassified status. One could assume that these operate at similar market levels and that the consortia save for these members was **market specific** in it's membership choice.

It has the largest average room size amongst the sample, **404 rooms** in 1987, a point which allowed it to be a **medium sized consortia** in the UK, although only representing a few hotels. In both years, **80 per cent** of consortium hotel members were **corporately owned/operated**, some of these being multiple members. Locationally, **hotel members are confined to main cities**, the majority in **London**.

Consortium: Preferred Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	14
Business Level	22
Functional level	20

Preferred Hotels is an **American consortium** which operates **worldwide**. The findings related to this consortium are rather unrepresentative as it only has **one member in this country**, although in 1987, its members globally totalled 85 hotels. This small representation in this country is reflected in the corporate structure of this consortium. **One employee**, a sales executive, was found to be resident in the UK, although their task undoubtedly included the promotion of all members worldwide rather than merely the one member in here. All policy making therefore remained centrally at the headquarters of this consortium.

Both **leisure and business market sectors** were targeted. However, only a **small range of marketing services** were provided to member hotels, an **international group brochure** remaining the consortium's main form of promotional literature. However, it did have links with **travel and booking agencies** particularly in its native United States of America. Preferred Hotels did provide an **in-house reservation system and also links with Delta Airlines' Frequent Flyer Programme** in order to provide specific services at member hotels to customers participating in this scheme.

It offered **group bookings and conference and meetings information**, but no specific promotional or advertising material targeted these areas of trade. The **international orientation** of this consortium meant that it provided a specific degree rather than breadth of marketing services. No other management services were offered.

The **one member in this country of Preferred Hotels is The Dorchester Hotel, London**. Being a **large, five star property located in the capital** therefore assumes this consortium a consistent profile in terms of this single member. Therefore, the findings related to this organisation must be assessed in light of this minimal UK membership. However, this hotel reflects the membership specifications of this consortium, which are "exclusive", city-centre hotels.

Consortium: Prestige Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	25
Business Level	21
Functional level	36

Prestige Hotels is an **indigenous hotel consortium**, with several foreign hotel members. It is a **medium sized organisation**. Unlike any other consortium in the sample, this **sub-contracts all it's corporate functions** out to external organisations.

Therefore, **although employing more than 4 staff**, it is not clear the exclusivity of employees to Prestige Hotels. Tom Eden Associates carried out the marketing and reservation functions, whilst, Lockheed Ltd and LMS Ltd carried out bulk purchasing and training services, respectively.

Due to this unique functional structure, a **non-executive committee structure** stood as an important part of the decision-making process of this consortium and aspects such as membership recruitment were shared amongst this committee and the employed agencies.

Prestige Hotels seek to attract more 'exclusive' hotels to it's consortium, targeting particularly country house hotels. A central reservation system was supplied by Tome Eden Associates, although referral amongst hotels was still strongly encouraged. Leisure more than business travellers were targeted, short breaks programmes and an in-house magazine were oriented to this former market sector.

A Small Conference and Meeting's brochure was available however, reflecting the different alignment of country house hotels. Prestige Hotels employed an overseas representative rather than having established sales offices abroad. Less extensive marketing services were therefore provided by this consortium, via an external organisation, than some of the other medium-sized consortia in the sample.

However, other management services were also offered, again using contracted organisations. Bulk purchasing services for hotel members and craft training schemes for hotel employees were offered. These benefits were less comprehensive than those employed by other consortia providing additional management services.

Although this consortium was quoted as seeking to represent 'exclusive' hotels, the findings at the functional level displayed that, in both years of analysis, Prestige Hotels comprised hotels from **five star categories**, although a **large number were three star and unclassified**. The average size of hotel members was **49 rooms**. Few corporate members were identified in 1986, however, in the second year of investigation **additional members were found**

to be corporately held, this was probably a reflection of the increase in the ownership of country house hotels by hotel companies during this period. In 1986, 50 % of hotel members held multiple membership although this figure decreased slightly in 1987, these figures reflecting the medium size of this consortium and possibly the venerability of this sector of the hotel market. Locationally Prestige Hotels' members were found in rural, provincial positions. Therefore some regional characteristics were exhibited although there was less consistent representation in certain counties.

Consortium: Pride of Britain Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	19
Business Level	12
Functional level	26

Pride of Britain Hotels is a native consortium to the UK, which represented a small membership amounting to just over 600 rooms in 1987.

Corporately it was found to employ a **small number of staff with only one full-time executive functional head.** Although a hotel member headed the consortium as Chairman, there was found to be no formal non-executive committee structure.

Similar to Prestige Hotels, Pride of Britain Hotels seek to attract **country house hotels.** Its **marketing products and programmes were limited,** it provided mainly referral and public relations services in addition to a group brochure. It did offer a reservation system although promotional literature stressed that customers should contact hotels directly. Abercrombie and Kent, **an overseas representative,** was contracted to establish foreign visitor awareness and trade. At the time of the investigation the consortium itself was pursuing the possibility of **forming partnerships** with consortia overseas, to be known as 'International Leading Leisure Hotels'. No other management benefits were provided for member hotels.

Pride of Britain Hotels comprised predominately hotels of **three star and unclassified rating.** However, particularly in the first year of analysis it also comprised hotels in three other star categories and was therefore less targeted than in 1987. This was possibly due to the segmentation strategy of recruiting small, independent hotels which although in rural locations, were disparate in terms of market levels. The **average size of hotels was 43 rooms** in 1986, however, this figure had fallen to 24 rooms in 1987, witness of a change in membership over this period to even smaller hotels. As suggested previously these were **predominately independently owned and operated.** In 1987, far fewer hotel members also held membership of other consortia. Similarly, again to Prestige Hotels, although in terms of county representation there was found to be little locational consistency amongst the hotel portfolio

of this consortium, members possessed the characteristic of being situated in provincial areas.

Hotel Consortium: Relais du Silence.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	12
Business Level	14
Functional level	23

Relais du Silence is a french consortium and although the strategic direction between the UK division and the overseas parent is more diffuse, this is a single product firm. It was found that in this country the consortium **does not employ any staff** neither in the execution of services to member hotels and/or promotion of the entire organisation's hotels to customer groups in this country. UK hotel members were similarly not formally included in the decision-making process of this consortium. **All corporate activities were therefore contained centrally.**

In terms of marketing services this consortium offered **only two or three products/programmes** in addition to a group brochure. No other specifically targeted products were produced except for separate regional brochures. It did provide **international coverage** due to the composition of its membership and a **limited reservation facility**. No other services were provide for hotel members.

Relais du Silence comprised a range of hotels, but these were predominantly rated as **two, three and unclassified in market level terms**. The average size of hotels was only **18 rooms** in 1987, evidence of membership from mainly **independently owned hotels**. Interestingly, the membership characteristics of this consortium appeared to change during the investigative period, whilst there were few multiple hotels in 1986, by 1987, **92 % of members were also members of other consortia**. It does specify membership from independent hotels and therefore one may assume that it is those hotels which are familiar with consortia membership which have more recently joined. This is either a consequence of their reduced service from other organisations or their requirement to be linked to such a european consortium, allowing distribution of their products overseas. It draws its members from **rural, provincial hotels in order to offer 'peace and quietness'** to end customers.

Hotel Consortium: Relais et Chateaux.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	12
Business Level	23
Functional level	30

Relais et Chateaux has been established in the UK for a considerably longer period the previous **french consortium**. It represents hotels internationally but it also embodies **restaurants** as members. These two activities operate within relatively different markets (although hotels may compete in terms of custom for their own restaurants) but are less diverse than those owning organisations operating a broader range of products/services in unrelated industries.

Corporate liaison with members was found to be directly with the french headquarters, therefore, no members of staff were employed in this country and a formal non-executive committee did not operate in the UK. The **international scope** of this consortium does however add to the final score achieved at this corporate level.

The marketing services provided by this consortium were more complex than those employed by Relais du Silence. In addition to a **worldwide group directory, international and national sales offices** were provided as well as a **central reservation system**. However, the former directory did remain their main form of promotional literature. However, links with **travel and group booking agencies** particularly in its native France had been established. In terms of **specific marketing and sales services this consortium did not embody the range or scope** of those offered by other international consortia.

Findings related to the membership composition of Relais et Chateaux displayed the **diversity of hotel members in terms of their market level**. The consortium however did promote the 'exclusivity' of its members, a fact that was not apparent in this investigation of the organisation. It should perhaps be termed more 'member-specific' than market-specific in its membership strategy, members being **rurally located**. This latter point is confirmed in the **small average size** of hotel members, **22 rooms** in 1987. **Few corporate and multiple members** were found in the two years of analysis.

Hotel Consortium: Historic & Romantik Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	10
Business Level	13
Functional level	18

Historic & Romantik Hotels is the only hotel consortium originating from Germany in the field sample, it entered the UK in 1986. All liaison and the execution of services was carried out from within the parent company's central headquarters in its native country. Therefore, the consortium had no formal executive or non-executive structure in the UK but possessed an international orientation. With only 6 members in both years, this consortium remained relatively small.

This consortium provided minimal marketing services through the use of a group directory which featured hotels in its native Germany as well as other European members, but no other specifically targeted products were produced except for separate regional brochures. A reservation system was in operation, although this was less sophisticated in comparison to some other international consortia in the sample. The international scope of this organisation appeared to be an important selling point promotionally, without segmenting customer groups further.

Member hotels were found to be equally divided between being three star and unclassified and were amongst the smallest members in the sample with an average size of 17 rooms. Hotels were mainly independently owned and operated, multiple members increased in the second year of investigation due possibly to similar reasons as the increase by these types of members also within Relais du Silence. Locationally, the consortium's member hotels were quite concentrated, however this may be more a result of the consortium's small membership rather than its recruitment strategy.

Hotel Consortium: Smugglers Coast Hotel Group.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	13
Business Level	13
Functional level	12

Smugglers Coast Hotel Group is operated by the Cumbrian Tourist Board, strategically it may therefore be recognised as an **extension of the existing business** of this parent organisation. This consortium was found to represent only a small area of the Regional Tourist Board's derestriction (centred upon Ravenglass and the surrounding coastal area) and obviously only hotels rather than other tourism products/services. The objectives of the consortium were slightly more focused than those of the owning organisation in terms of the location and associated facilities to be marketed and promoted. Corporately, the consortium did not employ any specific staff. It was administered by the tourist board itself, the **corporate structure therefore being shared**, the Chairman was also found to be involved in the Board without being specifically employed to carry out marketing services provided by this consortium. Obviously, this consortium was regional rather than national or even international in scope.

Locational marketing services were provided, besides a **group brochure** only two or three other products/programmes were found. **Leisure and short break packages** were provided. **Referral** directly to member hotels and/or reservation through the local Tourist Information Centre were encouraged. **Services therefore remained minor.**

Hotel members were obviously contained within this **small area of Cumbria** and **over 80 per cent were without star ratings** (guest houses were also participants of this consortium, these have been excluded from this analysis). Possibly reflecting their rural and coastal locations, hotel members were of a **small organisational size, averaging 21 rooms** in 1987. During the investigative period hotel members were **independently owned/operated** and **mainly only a member of the Smugglers Coast Hotel Group.**

Hotel Consortium: Southampton Tourism Group.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	18
Business Level	17
Functional level	23

As the title of this organisation suggests, this represents another **locational consortium**. It is linked and is operated under the auspices of the **Southampton Civic Council**. In aiming to attract more visitors and businesses to Southampton, and specifically to members of this Group, the consortium was aligned with the economic and environmental objectives of its parent. It is therefore a related **extension** of the Council's existing business.

A **Marketing Director** was employed within this functional division and although a formal non-executive committee was not in operation the Chairman of the consortium remained a member representative.

Due to the ownership of this consortium, its **policy-makers were chosen from a range of local government departments** as membership was sort not only from hotels but also tourist-related concerns such as coach operators, tour guides and sports clubs.

Similarly to the last locational consortium assessed, this organisation provided only **minimal marketing services** related to the promotion of hotels in this city location, a **group brochure was the main form of promotional tool**. **Leisure and Short Break programmes** were particularly targeted as marketing devices. No other management services were offered to hotel members.

Hotel members of the Southampton Tourism Group were **equally divided between the three star and unclassified market level categories**. They averaged **43 rooms** in size terms in 1987, evidence that some larger hotels are included in the total portfolio of this consortium. A **small number of corporate hotels** were found to hold membership, although **fewer multiple members** were affiliated to this consortium.

Hotel Consortium: Star Collection Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	23
Business Level	26
Functional level	26

This indigenous consortium has experienced a period of expansionist growth and therefore gained a top ten ranking amongst the sample in 1987. Having developed in the town of Bournemouth, it has extended its membership and promotional coverage to encompass hotel units in Scarborough. **A number of staff were employed** (although four members were not exceeded), including **appointed functional specialists**. However, it **did not possess a structured decision-making mechanism** for hotel members.

Marketing services were nationally rather than internationally based. **A group brochure** was provided and the consortium contributed a more limited but nonetheless **very targeted range of products and programmes**. The attempt to refocus the tourism industries in the two seaside resorts promoted by this consortium was witnessed in the packages provided by Star Collection Hotels. The resorts' traditional dependence upon leisure tourism was emphasised in the provision of **leisure programmes** by the consortium, for the inclusion of member hotels. It also offered **short break schemes** (inclusive of public transport facilities) and more specifically, marketing and sales services oriented to the **placement of conference and meetings business**. **A central reservation system** was provided but the consortium lacked more specialised programmes aimed at the business traveller, possibly hampered by the hotel locations it served.

It **did not offer a specific onward booking scheme**, an outcome of its restricted locations and the fact that members were more competitively matched.

The locational dominance of this consortium rather than market level dominance of this consortium signified the reason for the **diversity in market levels** terms of it's hotel members. **The average size of these hotels was 45 rooms** - an indication of the inclusion of larger hotels within the total membership portfolio. The consortium had a **high propensity of corporate hotels** in comparison to it's total hotel members - **45%** in the first year. It therefore represented both corporate and independent hotels in it's two locations of Scarborough and Bournemouth. **A small number of multiple hotels** were also participants.

Hotel Consortium: Thames Valley Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	16
Business Level	18
Functional level	28

Thames Valley Hotels is operated by a **regional tourist board**, the Thames and Chiltern Tourist Board. The responsibilities of this parent organisation involve marketing its region to British customers and it therefore provides promotional and marketing support to hotels and other forms of accommodation facilities, Cultural and Arts attractions, and catering facilities for both day and residential visitors to the region.

An outcome of its close association with hotels (as individual units they may become registered with the Tourist Board and thence graded for customer recognition of the level of their facilities and services) has resulted in the establishment of separate quasi-organisations acting specifically as a hotel consortium. They thus promote hotels within this particular region. **Several staff were employed** however the consortium was **mainly administrated via the tourist board** itself, corporately therefore this lacked any hierarchical arrangement of its own.

The consortium provides **mainly locational marketing services**, and as such is promotionally aligned on a national basis. Besides a **group brochure** only two or three products/programmes are offered. As well as **leisure related packages** this organisation did supply a **meetings and conference booking service** due to the location of its participating hotels. A reservation system was provided but the emphasise remained upon the individual hotels.

The composition of Thames Valley Hotels included a **diverse range of hotels in market level terms**. The average size of hotel members in 1987 was **27 rooms**. **Several corporate and multiple** (69% in 1987) members were represented, a reflection of the additional regional promotional focus offered by this consortium. The findings related to the location of hotels belonging to this consortium reflected a **concentration in the Thames and Chilterns area**, which covered several county boundaries. However, interestingly, in the second year of study this consortium was beginning to expand outside of the district covered by the regional tourist board.

Hotel Consortium: Viking Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	10
Business Level	14
Functional level	22

Viking Hotels is owned by a tourism marketing group which as well as operating a hotel consortium also promotes centred holidays or car touring holidays under the 'Viking Islands Holiday' banner. **Several staff** were found to be employed however there was no sign that individual staff were involved specifically in the activities of the consortium. Corporately, **Viking Hotels was operated alongside the parent group.**

Minimal marketing services were provided by this consortium, they were similar to those provided by other locational groups, they were leisure-oriented (inclusive of public transport facilities) and promotion was contained on a small although national basis.

Hotel members were located primarily in the **Shetland Isles of Scotland** and therefore other characteristics at the functional level were reflective of this more rural position. In 1986 it was found that hotel members were **evenly divided between being three star rated and unclassified.** However, by 1987 they had become more disparate in terms of their market levels, partly due to the loss of two members. The average room size of hotels was over 30 rooms in the first year of analysis, however, by 1987 this had decreased to **28 rooms.** The majority of member hotels were **independently owned/operated,** the main corporate member reverted to independent ownership during the period investigated.

Hotel Consortium: Wester Ross Hoteliers Association.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	16
Business Level	15
Functional level	24

This consortium is operated by the **Highlands and Islands Tourist Board**, which is in turn overseen by the Scottish Tourist Board. It reflects therefore an **extension of the existing business of its parent organisation**. Similar to the other consortia operated by regional tourist boards this possessed more focused objectives in terms of the location and associated facilities to be marketed. The consortium was found to be a **small subsidiary of the parent company** and therefore employed several staff to administer its own strategic initiatives. Although entitled an Hoteliers Association, it lacked a formal decision-making process, although it was clear that members were consulted informally.

Again **locational marketing benefits** were provided for members, targeted mainly towards leisure tourism. Unlike the other similar consortia, a **small range of purchasing or production-oriented services** were provided. Discounts were available, via a buying directory, on a range of commodities and services through central purchasing. The reason for this additional service may be levelled at the remoteness of many of the hotel members of this consortium.

This locational consortium featured hotels from a **diverse range of market levels**, on average members operated **22 rooms**. **Few corporate and multiple members** were represented, although hotel members which participated in other consortia did increase in the second year. Overall the functional level analysis reflected the **location specificity of this organisation, the Wester Ross area of Scotland**.

Hotel Consortium: Yorkshire Rose Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	13
Business Level	18
Functional level	19

Yorkshire Rose Hotels is another indigenous locational consortium. Parallel to Thames Valley Hotels this consortium is operated by another regional tourist board, the Yorkshire and Humberside Tourist Board. **One Marketing executive** was employed by this parent organisation to operate specifically this consortium. Therefore, a **small subsidiary** administered this consortium under the auspices of the extended parent organisation.

Yorkshire Rose Hotels provided **leisure-based programmes** such as Short Break Holidays, but also promoted **conference and meeting facilities** perhaps due to the composition of towns and cities within Yorkshire and Humberside and resulting accommodation demands. Few other more sophisticated services were supplied although it had the **marketing support** of tourist organisations at regional and national levels.

Similar to other consortia, Yorkshire Rose hotel members were **locationally targeted**, however, the region covered by this organisation spanned several counties.

This narrow focus was exhibited in a hotel portfolio with a **diverse range of market levels**, although more consistency accorded in the second year. The size of hotels averaged **over 30 rooms**. A small number of hotels were corporately held or multiple members.

Hotel Consortium: Quality International Hotels.

<u>Levels.</u>	<u>Total Scores.</u>
Corporate Level	18
Business Level	35
Functional level	31

This consortium is owned by a hotel and catering conglomerate, although the company's dominant related products are hotels. Manorcare Inc also operates in unrelated industries, but these are contained within the native country of this organisation, the United States of America. Quality International Hotels in the States is a large hotel franchise organisation, however, in the UK the relationship it has with its represented hotels is one of consortium membership. **International exposure** was found to be important to the overall hotel firm and to gain representation in this country, thus hotels were linked into the global network. The UK consortium was therefore part an extension of a hotel operating company.

A corporate structure had been established in this country encompassing an **average number of staff** as well as **functional executive heads**. The consortium was therefore assessed as a **medium sized** organisation in the context of this study.

There was however an absence of a formal non-executive decision-making process, the consortium being guided primarily by these full-time executives.

Quality International Hotels offered a **full range of sophisticated marketing benefits** to member hotels. As a worldwide hotel group it had **international sales offices** to distribute the promotional material of all of its owned, managed, franchised or consortium affiliated hotels. It also provides **sales and marketing training schemes** and a **purchasing service** for the procurement of just branded product logos.

The majority of Quality's hotel members were **three star**, although several were also four star and unclassified. The average size of hotel members was **72 rooms**, representing relatively large units in terms of the UK industry as a whole. Only a small number of multiple members were represented although a **larger number of hotels were corporately** rather than independently owned. The **slightly locational bias** of members reflected the relatively small number of members of this consortium rather than any regional specifications for membership.

Appendix 3. Market Scope of Hotel Consortia.

Continuum of Market Scope of Hotel Consortia
- Market Levels and Locations of Hotels.

Unfocused/Wide Range

<u>Market Levels</u>	<u>Location</u>
Prestige Hotels	Best Western Hotels
Relais et Chateaux	Consort Hotels
Viking Hotels	Exec Hotels
Wester Ross Hoteliers Association	Guestaccom
Consort Hotels	Inter-Hotels
ExecHotels	MinOtels
Golden Tulip Hotels	
Inter-Hotels	BAAH
MinOtels	Concord Hotels
Nikko Hotels International	Prestige Hotels
Pride of Britain Hotels	Pride of Britain Hotels
	Relais du Silence
Best Western Hotels	Relais et Chateaux
Concord Hotels	Quality International Hotels
Concorde Hotels	
Hospitality Hotels of Cornwall	Golden Tulip Hotels
Hospitality Hotels of Northern Ireland	Hospitality Hotels of Northern ireland
Leading Hotels of the World	Leading Hotels of the World
Relais du Silence	Historic & Romantik Hotels
Historic & Romantik Hotels	Thames Valley Hotels
Southampton Tourism Group	
Star Collection Hotels	Concorde Hotels
Thames Valley Hotels	Hospitality Hotels of Cornwall
Yorkshire Rose Hotels	Independent Llandudno Hotels
Quality International Hotels	Nikko Hotels International
	Preferred Hotels
BAAH	Smugglers Coast Hotels
Guestaccom	Southampton Tourism Group
Independent Llandudno Hotels	Star Collection Hotels
Preferred Hotels	Viking Hotels
Smugglers Coast Hotels	Wester Ross Hoteliers Association
	Yorkshire Rose Hotels

Focused/Narrow Range

Continuum of Market Scope of Hotel Consortia
- Size and Ownership of Hotels.

Large/Corporate

<u>Market Levels</u>	<u>Location</u>
BAAH	Best Western Hotels
Concorde Hotels	BAAH
Golden Tulip Hotels	Concord Hotels
Leading Hotels of the World	Concorde Hotels
Nikko Hotels International	Consort Hotels
Preferred Hotels	Golden Tulip Hotels
	Leading Hotels of the World
Concord Hotels	Nikko International Hotels
Consort Hotels	Prestige Hotels
Star Collection Hotels	Star Collection Hotels
Quality International Hotels	Thames Valley Hotels
	Quality International Hotels
Best Western Hotels	
Prestige Hotels	ExecHotels
Southampton Tourism Group	Guestaccom
	Hospitality Hotels of Cornwall
Hospitality Hotels of Northern Ireland	Independent Llandudno Hotels
Independent Llandudno Hotels	
Inter-Hotels	Inter-Hotels
Pride of Britain Hotels	MinOtels
Relais et Chateaux	Nikko Hotels International
Smugglers Coast Hotels	Preferred Hotels
Thames Valley Hotels	Pride of Britain Hotels
Southampton Tourism Group	Relais du Silence
Wester Ross Hoteliers Association	Relais et Chateaux
Viking Hotels	Historic & Romantik Hotels
	Smugglers Coast Hotels
Guestaccom	Southampton Tourism Group
MinOtels	Viking Hotels
Relais du Silence	Wester Ross Hoteliers Association
Historic & Romantik Hotels	Yorkshire Rose Hotels

Small/Independent

Strategic Type: Tightly Focused.

Market Levels	Location	Size	Ownership
Narrow range	Narrow range	Small	Independent
Independent Ilandudno Hotels	Smugglers Coast Hotel Group	Southampton Tourism group	

Strategic Group: Market Level/Ownership Focused.

Market Levels	Location	Size	Ownership
Narrow range	National	Small	Independent
Guestacom			

Market Levels	Location	Size	Ownership
Narrow range	Wide range	Large	Corporate
British Airways Associate Hotels			

Strategic Type: Locationally Focused.

Market Levels	Location	Size	Ownership
Wide range	Narrow range	Small	Independent
Wester Ross Hoteliers Association	Viking Hotels		

Strategic Type: Ownership Focused.

Market Levels	Location	Size	Ownership
Wide range	Wide range	Small	Independent
MinOtels	Relais et Chateaux	Pride of Britain	

Strategic Type: Unfocused.

Market Levels	Location	Size	Ownership
Wide range	Wide range	Diverse	Diverse
Consort Hotels	Prestige Hotels		

Appendix 4. Product Scope of Hotel Consortia.

Continuum of Product Scope of Hotel Consortia
- Commitment to Revenue Generation &
- Commitment to Business Efficiency.

Breadth of Product Range

<u>Revenue Generation</u>	<u>Business Efficiency</u>
Best Western Hotels	Best Western Hotels
BAAH	Concord Hotels
Concorde Hotels	Consort Hotels
Consort Hotels	Inter-Hotels
Golden Tulip Hotels	
Inter-Hotels	MinOtels
Leading Hotels of the World	Prestige Hotels
MinOtels	Quality International Hotels
Nikko Hotels International	Preferred Hotels
Preferred Hotels	ExecHotels
Relais et Chateaux	Guestaccom
Star Collection Hotels	Wester Ross Hoteliers Association
Quality International Hotels	
	BAAH
Hospitality Hotels of Cornwall	Concorde Hotels
Hospitality Hotels of Northern Ireland	Golden Tulip Hotels
Prestige Hotels	Hospitality Hotels of Cornwall
Pride of Britain Hotels	Hospitality Hotels of Northern Ireland
	Independent Llandudno Hotels
Southampton Tourism Group	Leading Hotels of the World
Thames Valley Hotels	Nikko Hotels International
Viking Hotels	Preferred Hotels
Wester Ross Hoteliers Association	Pride of Britain Hotels
Yorkshire Rose Hotels	Relais du Silence
	Relais et Chateaux
ExecHotels	Historic & Romantik Hotels
Guestaccom	Smugglers Coast Hotels
Independent Llandudno Hotels	Southampton Tourism Group
Pride of Britain Hotels	Star Collection Hotels
Historic & Romantik Hotels	Thames Valley Hotels
Smugglers Coast Hotels	Viking Hotels
	Yorkshire Rose Hotels

Lack of Product Range

Appendix 5. Number of Functional Executives.

Continuum of Functional Expertise
- Number of Functional Executive Heads.

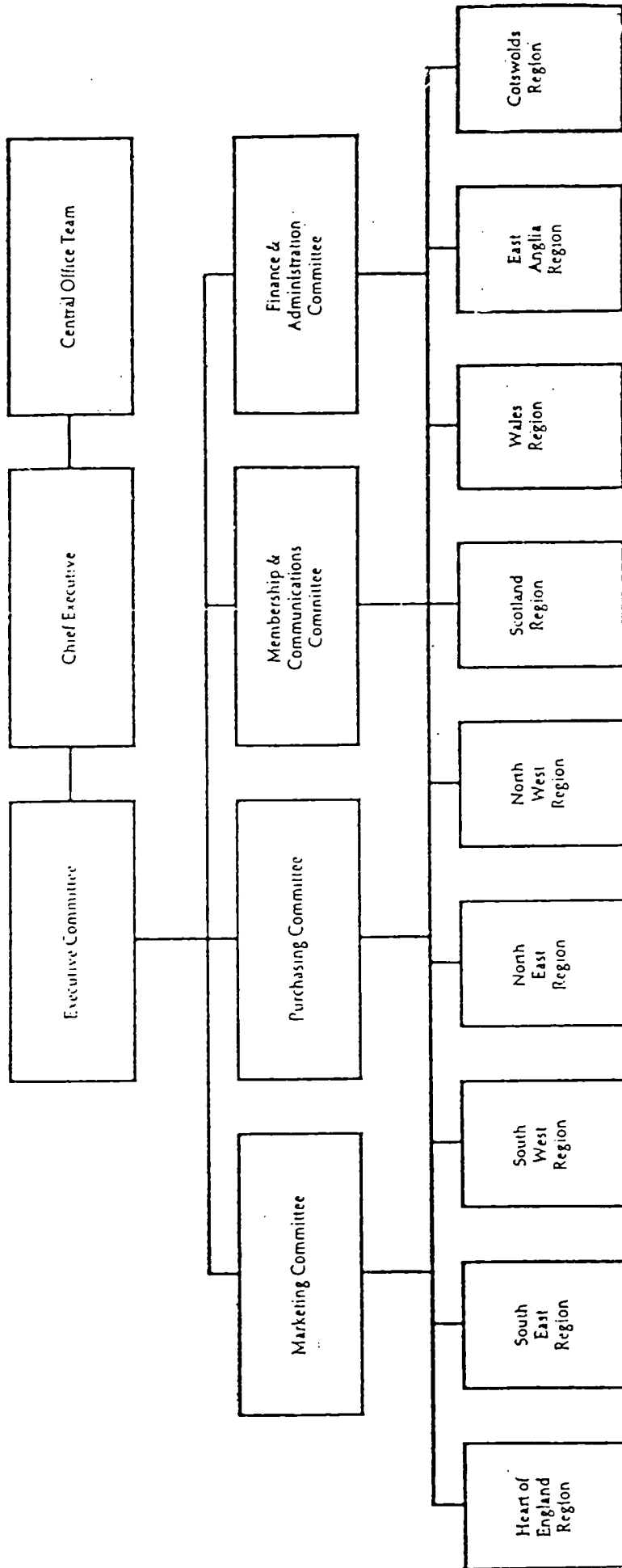
Number of Functional Executive Heads

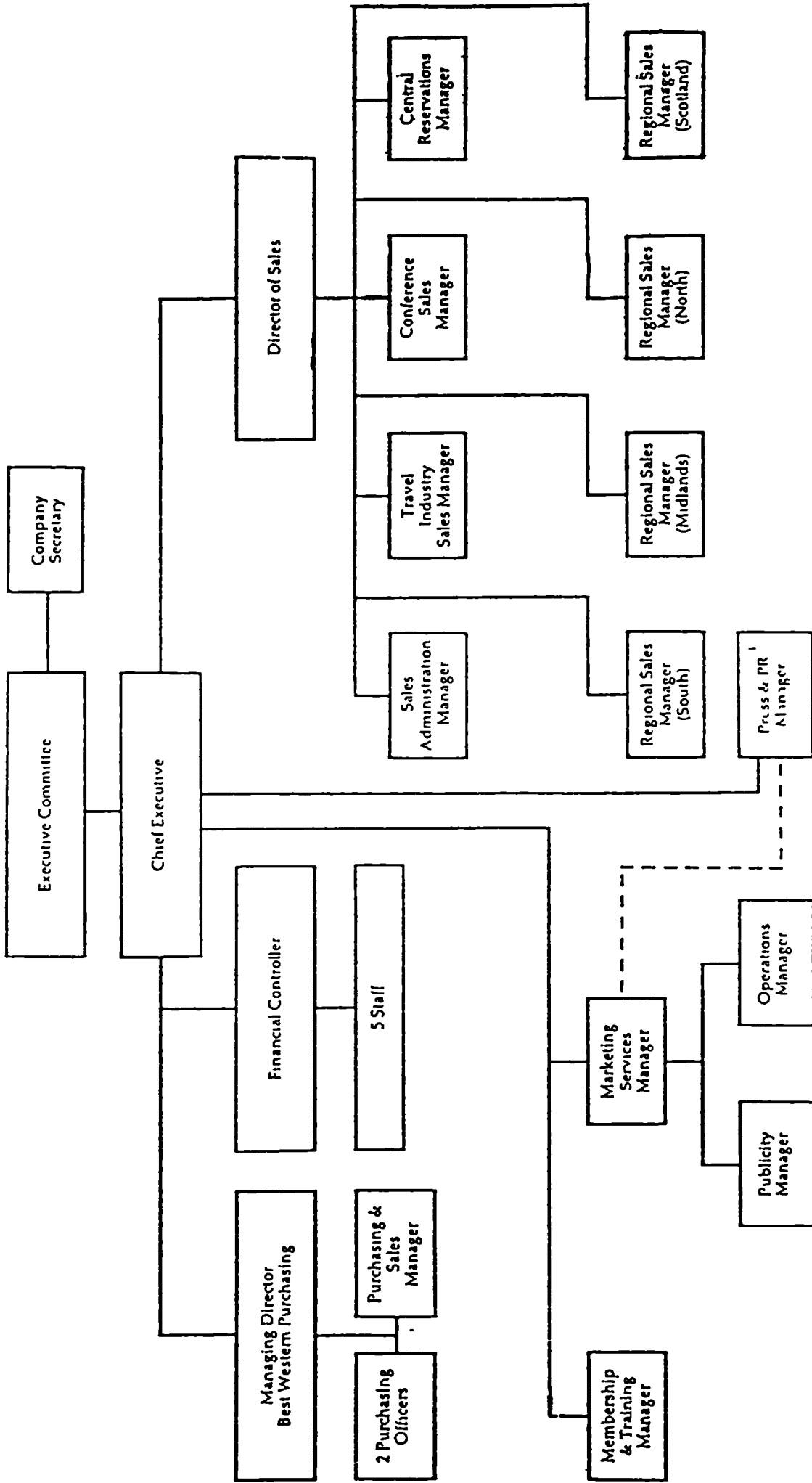
Best Western Hotels
Concord Hotels
Consort Hotels
ExecHotels
Inter-Hotels
Prestige Hotels
Star Collection Hotels
Quality Intl Hotels

No Functional Executive Heads

BAAH
Concorde Hotels
Golden Tulip Hotels
Hosp' Hotels of Cornwall
Hosp' Hotels of N.Ireland
Leading Hotels'
MinOtels
Nikko Hotels Intl
Preferred Hotels
Pride of Britain Hotels
Relais du Silence
Relais et Chateaux
Historic & Romantik Hotels
Smugglers Coast Hotels
Southampton Tourism Group
Thames Valley Hotels
Viking Hotels
Wester Ross Hoteliers
Yorkshire Rose Hotels

Appendix 6. Corporate Structure of Best Western Hotels.





Appendix 7. Individuals Contacted.

1. Leading Academics.

Paul Slattery, Kleinwort Benson Securities, London.

David Litteljohn, Napier Polytechnic, Edinburgh.

2. All Respondents.

Aartson, S Sales Manager (UK) Golden Tulip Hotels

Andrews, K Marketing Manager Inter-Hotels

Andrews, K Marketing Manager Inter-Hotels

Arman, R Franchise Development Director Quality International Hotels

Arman, R Membership & Training Manager Best Western Hotels

Balfour, D Chairman Smugglers Coast Hotel Group

Barwick, J Purchasing Manager Consort Hotels

Benet, M Secretary Relais du Silence Hotels

Borloo, O Marketing Director Relais et Chateaux Hotels

Brackpool, B Managing Director Purchasing Best Western Hotels

Bradford, W Chairman Inter-Hotels

Calladene, S Sales Manager Yorkshire Rose Hotels

Carpenter, D Sales Manager BAAH

Celland, L Marketing Manager Viking Hotels

Chapman, K Chairman Prestige Hotels

Clark, J Press & Public Relations Manager Best Western Hotels

Descarolo, M Public Relations Manager Relais et Chateaux Hotels

Dunne, J Secretary Pride of Britain Hotels

Eden, T Marketing Director Prestige Hotels

Ednies, I Chairman Wester Ross Hoteliers Association

Evans, M Marketing Manager Consort Hotels

Faulkner, C Sales Manager Hospitality Hotels of Northern Ireland

Gmelin, G Sales Manager Historic & Romantik Hotels

Hampton, A Chairman Thames valley Hotels

Hancock, M CEO Best Western Hotels

Hodges, J Marketing Manger Independent Llandudno Hotels

Innes, M Sales Manager (UK) Preferred Hotels

Ito, M Vice President (UK) Nikko Hotels International

Kanawatw, G Sales Manager (UK) Concorde Hotels

Lazenby, G Press & Public Relations Manager Best Western Hotels

Lau, K Sales Manager (UK) Concorde Hotels

Lewis, S Marketing Director Southampton Tourism Group

Lingelbach, A Sales Manager Historic & Romantik Hotels

Lloyd, B General Manager (Europe) Leading Hotels of the World

Milnes, M Conference Chairman Thames Valley Hotels

McKeand, I Marketing & Partnership Director BAAH

Moody, D Director MinOtels

Murray, R General Manager & Marketing Director Quality International Hotels

Newton, C Sales Manager Consort Hotels

Oxford, R Reservations Manager Thames Valley Hotels

Paten-Philip, J Secretary Pride of Britain Hotels

Perkins, V Reservations Manager Hospitality Hotels of Cornwall

Pope, K CEO Consort Hotels

Redfern, J Chairman MinOtels

Rouse, B Sales & Marketing Director Trusthouse Forte Hotels

Saunders, L General Manager ExecHotels and Guestaccom

Small, J Chairman Hospitality Hotels of Northern Ireland

Stone, M CEO ExecHotels and Guestaccom

Thibault, A CEO Concord Hotels

Tsukahara, Y Sales & Marketing Director (Europe) Nikko Hotels
International

Tyres, I Membership & Training Manager Best Western Hotels

Vagnot, P General Manager Relais du Silence

Williams, A Director of Sales Star Collection Hotels

Wise, N Sales Manager Star Collection Hotels

Wright, M Marketing Manager Consort Hotels