

# Localization Business Model of International Hotel Group in China

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**Abstract.** for localization development process of international hotel group, to carry out study on how to develop appropriate marketing strategy, how to train and use hotel personnel, how to improve product quality management system, so that achieve hotel management innovation, would has a very practical significance. In this paper, we firstly introduce the development history of international hotel group in China, and their main problems in localization process, and then propose some strategies for the localization management.

## Introduction

Since 1980s, through various forms of investment, more and more international hotel groups have entered into China market, bringing capital, technology, management experience, talents and brand, and rapidly developed. Under the severe competition situation, international hotel groups have realized that they should adapt to the changes in the external environment, and make full use of various local resources, to form their own competitive advantage and stand out in the chaos of competition. But international hotel groups are not native-born, Chinese traditional culture and thoughts would pose a challenge to localization management of international hotel group in China. Therefore, for localization development process of international hotel group, to carry out study on how to develop appropriate marketing strategy, how to train and use hotel personnel, how to improve product quality management system, so that achieve hotel management innovation, would has a very practical significance.

## Development History of International Hotel Group in China

Since reform and opening-up in 1978, development of China's hotel industry ushered in the first spring, and a number of joint venture's classic hotels vacated born, such as White Swan Inn Hotel Guangzhou (1984), China Hotel (1984), Beijing Jianguo Hotel (1982), etc. With the rapid development of Chinese economy, many large hotel groups have entered the world market china in succession.

**History and Trends.** Development history of international hotel groups in China has mainly gone through three stages: early introduction stage in 1980s, comprehensive development stage from 1980s to 1990s, and deep development stage from the beginning of the twenty-first century to date. From some landmark events, we can see the development history and trends of international hotel groups in China.

In 1982, The Peninsula Hong Kong and Beijing Jianguo Hotel Group joint venture, marking the first step of overseas hotel entering into China's market.

In 1984, Holiday Group was landing in China, and managed Holiday Inn Lido Beijing. In the subsequent five years, it successively organized the Business network in Guilin, Guangzhou, Xiamen, Dalian, Chengdu, etc.

In 1984, America Marriott Group was invited to manager China World Hotel (Guangzhou), becoming China's first hotel that managed by joint venture hotel management group.

In 1985, French Accor Group was landing in mainland China, and began its development plan as brand "Sofit"; in the same year, Starwood entered China as Sheraton brand, to expand its business in the form of entrusted management, franchising and selective capital management.

So far, over 10% of top 300 globe hotel groups have entered into China, and most of them regard China hotel market as the most important strategic goal in the future.

**Management Mode.** There are mainly three types of management modes of international hotel group in China: entrusted management, franchising and capital management.

(1) Entrusted management: hotel owners and management group sign a management contract to arrange the rights, obligations and responsibilities, so that ensure management group can output its professional technology, management personnel and management mode, with their own management style, service specification, quality standard and operation mode.

(2) Franchising: franchising is a mode of operation with franchise transfer as the core. It takes advantage of its own proprietary technology, brand and hotel owner's capital to expand the business scale.

(3) Capital management: through direct or indirect investment such as sole proprietorship, holdings or shares, access to hotel management rights and implement same brand identity, service program, booking network, purchasing system, organization structure, standard policy and business philosophy. Shangri-La Hotel group is the first international hotel group adopting this management mode.

From the table above, for the sake of more profit and less risk, international hotel groups tend to adopt franchising of management contract, that is, only provide management, but not core value; with the increase of Chinese local hotel demand economy hotel hotels appeal to the world, international hotel group began to inject capital into China and carry out capital management, marking their management mode entering a new stage.

### **Localization Problems of International Hotel Group in China**

Localization management of international hotel groups in China mainly reflects in localization of product, relationship, market, sales and personnel. Relying on their powerful group resources and advantages, management effectiveness and benefits of these hotel groups are better than domestic hotels, and they have made great achievements in the process of localization in China. However, because of the huge differences in culture, language, way of thinking, there are still some problems in their localization process.

**In Terms of Daily Operational Management.** It mainly reflects in poorly enforced management intentions and disunity objectives. Regulatory norms in group headquarters are strict and standardized enough, but it exist large drop in concrete implementation. What is the biggest problem, Chinese hotels rely more on human management, rather than rules and regulations, which leads to a considerable part of the current hotel management system is not perfect. In daily operational management, job responsibilities are quite clear, but the division of labor is not clear in implementation. There is work prevarication phenomenon, e.g. some hotel receptionists often make mistakes in petty cash management; guests loss their items in housekeeping; change room status error. And there some language barriers and cultural differences between foreign managers and Chinese managers, so when subordinates carry out the intention of the foreign director, it is prone to bias and even make mistakes.

**In Terms of Human Resource Management.** First, to some extent, the incentive mechanism is unreasonable. It will produce two aspects of effects: on the one hand, this will cause a considerable part of employee turnover, bringing serious impact on normal hotel business; on the other hand, it will dampen the enthusiasm of some employees of high labor intensity and high quality requirements, producing slack and lazy mood, which is a waste of human resources.

Second, affected by the local culture and the old industry rules, employing concept of the hotel is sort of backward. Senior management personnel of hotels have weak awareness on how to develop staff capacity and how to make use of it. Training as an important means of human resource development, doesn't play the desired role.

Third, there are many flaws in hotel's training system. Almost all the international hotel groups pay much attention to personnel training, which can be seen from their training project budget and talents allocation of training department. However, from the perspective of training effect, there is a

big gap with expectation. From another perspective, many frontline staffs do not understand the significance of training.

**In Terms of Marketing Management.** Marketing management is the best aspect in the localization process of international hotel group. I think the main problem in terms of marketing management is deepening expand of marketing approach. The traditional way of marketing can insist on using in the area of deep traditional concept, rather than being canceled. Currently relationship marketing is possible to deteriorate, so hotel managers would better deepen the use of public relations, on the basis of existing various marketing means. Another point is management of marketing team and personal. The effective implementation of internal marketing requires efforts of all staff.

**In Terms of Quality Management.** Compared with most of domestic hotels, in terms of quality management, the hotels managed by international hotel groups are more comprehensive, detailed, systematic and rigorous, but the problems lie in execution. Executors of hotel products and services quality management are mainly middle and lower-level managers, most of which are Chinese managers. This staffs have a wealth of practical experience, with certain management philosophy and thinking, but the staffs of higher education and system management concepts are rare. Hotel quality management requires long-term efforts, but it is easy to form lax and formalize quality management, because of negligence, unconsciousness or lack of supervision.

### **Localization Strategies of International Hotel Group in China**

**Localization of Marketing Mode.** Localization of marketing mode means international hotel group should pay attention to difference of the consumer market, and subdivide the market in accordance with local geographical location, traditional culture, way of life or other factors and then carry out marketing activities, that is, to develop marketing strategies according to different marketing environment.

Once the local macro political and economic environment changes, the marketing mode of international hotel groups should conduct timely adjustments. In addition to macro environment, comprehensive adjustments are supposed to happen when local customers, industry competition situation and enterprise management status is changing.

In addition, localization of marketing mode is also reflected in differentiated marketing strategy. Based on careful study on the characteristics of the target market, could carry out differential design of products. While maintaining constant utility of core products, international hotel group would generally adjust second and third level of the whole product to achieve differentiation. On the one hand, selection of marketing channel should fit with the local social environment and local consumer buying habits; on the other hand, make use of existing marketing resources of local dealers as far as possible, to set up a local marketing network.

**Localization of Human Resource Management.** (1) Staff recruitment. Localization of human resource management firstly reflects in staff recruitment. International hotel groups could get help from local professional hotel personnel websites to post staff recruitment information. As for capability assessment of each position, hotel group could establish multidimensional assessment system, consisting of self-assessment, colleague assessment and leader assessment.

(2) Performance and salary management. Hotels should pay attention to the implementation of post responsibility system, that is, according to customer satisfaction level, capacity assessment and work completion, to assess and evaluate staff performance.

(3) Staff training and occupation career management. For staff training, international hotel group usually develop different training plans for different levels of staff. Occupation career management is in charge by hotel HR manager since every employee enters company. It is cascade training system and occupation blueprint design based on actual ability of local staff.

(4) Organizational culture construction. Organizational culture contains values, norms, ethics, traditions, etc. which represents the image and spirit of the organization. International hotel group deeply understand the importance Organizational culture in carrying out hotel service, so when

international hotel groups settle into a new region, they transplant their group culture, and embellished it appropriately according to local cultures.

**Localization of Quality Management.** Every international hotel group has a set of quality management programs, from LOGO design, hardware decorating, facilities and equipment, staffing, to product and service standards.

International hotel group has built internal quality management system required for service quality assurance, with a number of elements combined. Strengthen whole process quality management activities, including design, development, producing, service, inspection, sales and so on, to be institutionalized and standardized, forming work requirements and specifications for hotel interior quality management and control.

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