

PULL FACTORS AFFECTING ENTRY CHOICE: THE INTERNATIONALIZATION OF THE ACCOMMODATION SECTOR

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ABSTRACT

Many theories have been used to explain international trade and why certain countries attract hotel chains more than others. Throughout the centuries, literature has witnessed a number of attempts to explain international trade. Successive research in this area has led to a group of theories proposed by several authors who have been crucial to understand the choice of a destination to enter.

These theories provide some insight into the complexity of internationalization flows. However, an integrated theory that combines these elements in an analytical manner has yet to be developed. Although these theories appear in an isolated manner, they should be understood as complementary and not dissociated or regarded as alternatives. Even though there are many theories, researchers are unanimous in affirming that hotel chains' *internationalization is influenced by pull factors, related to specific characteristics of the host country, contextual environment (common to all companies) and the transactional environment (specific to each sector) and by push factors, related to specific characteristics of the companies and of their home country.*

Though both factors are important, this research gives special emphasis to the pull factors. Accordingly, the main aim of this paper is to identify which pull factors influence hotel chains willingness to enter a destination (Portugal). With this purpose, a theoretical model was developed. The model included 11 pull factors (characteristics of host country):

- 6 Specific Factors of the Contextual Environment (SFCE): Country risk; Level of development; Regulation; Integration in international organizations; Cultural and historical affinities; Geographical location.

- 5 Specific Factors of the Tourism Sector (SFTS): Competitiveness of the sector; Government policies for the sector; Image/brand of the sector; Tourism offer; Tourism demand.

This model also seeks to discover if the main barriers to foreign investment are related to the SFCE or the SFTS. All factors were explored in the construction of logical relations that underpin the enunciation of the hypothesis.

An analysis of the world's 300 largest hotel companies reveals that 22 are present in Portugal, running a total of 91 hotels, 2 hotel apartments and 2 resorts (26,157 beds in total). Moreover, 20 hotel chains of foreign capital can be added, which are not present in the rank 300. These operate 29 hotels, 3 resorts and 6 hotel apartments (10,467 beds). Owned by foreign investors are also 29 rural tourism and manor houses

(464 beds) and 14 units of local accommodation (215 beds). The hotels operated by foreign groups represent 22% of total existing beds in Portugal (31,579 from 143,552). There are 27 five-star hotels operated by hotel chains (10,802 beds), representing 53% of total beds in five-star hotels in Portugal (20,420).

The conceptual model developed was validated through questionnaire surveys applied to the CEOs/owners of all 83 companies with foreign investment in the accommodation sector in Portugal. Fifty three questionnaires were considered valid, representing 64% of the population of foreign investors in the Portuguese accommodation sector. Although the sample may seem small, there were no systematic differences between it and the population. It should be noted that previous studies of hotel chains have obtained lower response rates [1] [2] [3] [4] [5].

An analysis of the country of registration of the surveyed companies suggests that 19 are registered in the Netherlands, 6 in Germany, 6 in United Kingdom, 5 in France, 4 in Belgium, 3 in Angola, 3 in Spain, 2 in United States of America, 2 in Switzerland, 1 in Ireland, 1 in Sweden and 1 in Malta. In terms of geographical dispersion, investors who answered the survey operate 20,999 beds, representing 56% of total beds in Portugal managed by foreign investors. From these, 35 are small companies (investors running rural tourism units, manor houses and units of local accommodation) and 18 are medium/large companies (investors running hotels, hotel apartments, tourist apartments and resorts).

The results obtained in this empirical research indicate that Portugal's geographical location, its image/brand as a tourism destination and the Portuguese tourism offer are considered the key factors influencing hotel chains. Cultural and historical affinities were found to be factors influencing small foreign investors, while tourism demand attracts medium and large investors. This study clearly identifies that the main barriers to foreign investment are bureaucracy, tax burden and Portugal's current economic situation. Moreover, it concludes that the countries that most invest in the Portuguese accommodation sector are also the main tourist generators to Portugal and that investors from different countries of origin invest in different regions of Portugal.

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