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Location Strategies of Multinational Hotel Groups in China: An Application of Game Theory

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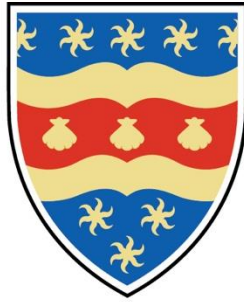
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University of Plymouth

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UNIVERSITY OF PLYMOUTH

Location Strategies of Multinational Hotel Groups in China: An Application of Game Theory

By

Xiazhao Chen

A thesis submitted to the University of Plymouth

In partial fulfilment for the degree of

DOCTOR OF PHILOSOPHY

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Author's Declaration

At no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award without prior agreement of the Doctoral College Quality Sub-Committee.

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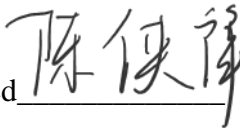
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Xiazhao Chen

Abstract

Location is an important issue for multinational hotel groups (MHGs) as it influences the competitive advantages and even survival of hotel corporations. The first aim of this thesis is critically review existing literature related to MHGs regarding the current situation in China and their decision-making process for hotel location choice. Then, it aims to develop in-depth insights into key factors influencing the location strategies of MHGs in mainland China. In addition, it also attempts to develop regression models to reflect the decision-making process and each role of stakeholders. It has seven specific research objectives, including (1) reviewing literature relating to MHGs and its explanation, (2) summarising the characteristics of the Chinese hospitality and current situation of MHGs in China, (3) addressing the functions of game theory and its applications in industry, (4) exploring roles and influences of different stakeholders during the MHGs expansion in China, (5) synthesising the stakeholder's views and establishing inter-relationships among the stakeholders, (6) evaluating factors that influencing the locational decision-making process, (7) examining validity and reliability of the decision-making models.

In order to achieve the research aims and objectives, with the development of the conceptual framework, a mixed research method was employed in this study which included two steps interviewing and secondary data analysis. 15 interviews were made for collecting the opinions of industrialists and the results of the interviews gave the direction of research regarding the determining factors for MHGs' location strategies formulation. Secondary data was collected from Chinese national bureaucratic statistics and local government official data websites including 9 cities ranging from 1999 to 2018. Three regression models were built for representing the relevant stakeholders' interests.

The findings of this study shed new light on the decision-making process in the hotel industry indicating that three participants namely MHGs, government and land

developers are involved in such locational strategies formulation. This study contributes to existing knowledge of hotel group locational decision-making process in the context of China by providing a new perspective of using game theory, which underlies the interests of three participants and signifies the conflicts between them. The location strategies of MHGs are taken by the negotiation between these three players. It is theoretically proposed by the government for the land-using plan. Followed by the influence of the policy made by the local government, land developers and hoteliers engage in the decision-making process. It is formed by a mutual and restricted relationship between these three players while hoteliers and land developers become allies to some extent in order to meet the requirements raised by the government.

All three stakeholders pay attention to influential factors such as market size, labour price and tourism resources. However, from the perspective of land developers, the convenience of public transport has no significant influence on the investment decision. In addition, it should be noted that tourism resources have a negative impact on the investment of real estate. As for the hoteliers, influential factors such as infrastructure construction and cultural distance also play an essential role in the locational strategy decision-making process. Additionally, the role of government and land developers have been emphasized in the hotelier model, which both have a significant influence on the number of multinational hotel properties. Based on these findings, both theoretical and practical implications were derived. Expressly, practical recommendations have also been provided, offering efficient guidance to those who want to successfully enter the mainland Chinese hotel market.

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List of abbreviations

CHA China Hospitality Association

CNTA China National Tourism Administration

CSA-FSA Country-Specific Advantages Firm-Specific Advantages

IHC International Hotel Chain

MHG Multinational Hotel Group

MNE Multinational Enterprises

NBSC National Bureau of Statistics of China

RBT Resource based Theory

UNWTO World Tourism Organisation

Chapter 1 Introduction

1.1 Introduction

Hotel, as a pillar role in the tourism industry, has been largely discussed in previous research (Alon et al., 2012, Andreu et al., 2016, Andreu et al., 2017, Johnson and Vanetti, 2005, Ivanov and Ivanova, 2017, Soler and Gemar, 2018, Yang et al., 2012) such as the aspects from agency theory (Dogru and Sirakaya-Turk, 2018, Wang et al., 2018b), brand management (Akbari et al., 2020, Casidy et al., 2018), foreign direct investment (FDI) (Contractor et al., 2003, Dunning and Kundu, 1995, Johnson and Vanetti, 2005), the choice of entry modes (Altinay and Javalgi, 2007, Andreu et al., 2016, Chen and Dimou, 2005), service-dominant logic (Li and Petrick, 2008) and goods-dominant logic (Lusch and Vargo, 2006). However, as a multifaceted phenomenon (Li and Petrick, 2008) including disciplines of economics, geography, psychology and anthropology, there are other key developments particularly within locational strategic management for multinational hotel groups (MHGs) that have been largely neglected. China is currently the second largest hotel market and has great potential to benefit from the development of MHGs (Andreu et al., 2017). This thesis focuses on evaluating the location strategies of MHGs in mainland China.

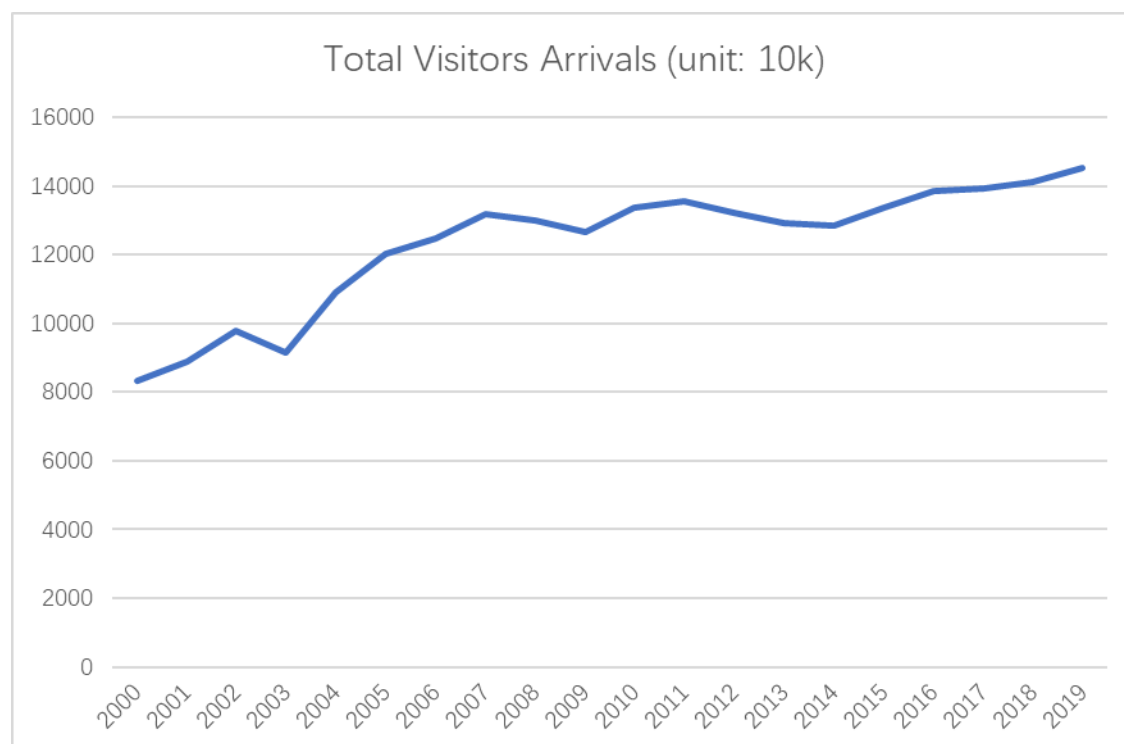
This chapter presents an outline of the study. It starts with a discussion on the background of the current research by acknowledging the research needs in the field of the hotel industry. It highlights the need to research MHGs in China and the importance of location strategies of MHGs. Based on a critical review of the existing research, it also addresses the need to investigate the role of game theory in choosing hotel properties in China. Given the significance of game theory and its function and consideration of the specific situation in China, it justifies the need for research into the application of game theory in the Chinese hotel industry. With the identification of the research gaps, this chapter thereby provides the research aims and objectives of the current study. In addition, this chapter also aims to provide an overview of the following chapters in order to clarify the significance of the study.

1.2 The Rationale for this research

1.2.1 The need to research MHGs in China

As seen in the following Figure 1-1 with the data released by the Chinese National Bureau of Statistics (NBS), it shows that the number of total visiting arrivals in China has experienced a dramatic increase from nearly 80 million to 150 million during the last two decades. It has indicated the drivers of the development of the tourism industry are not only based on domestic consumption but also depended on foreign patronage.

Figure 1 Total Visitors Arrivals in China

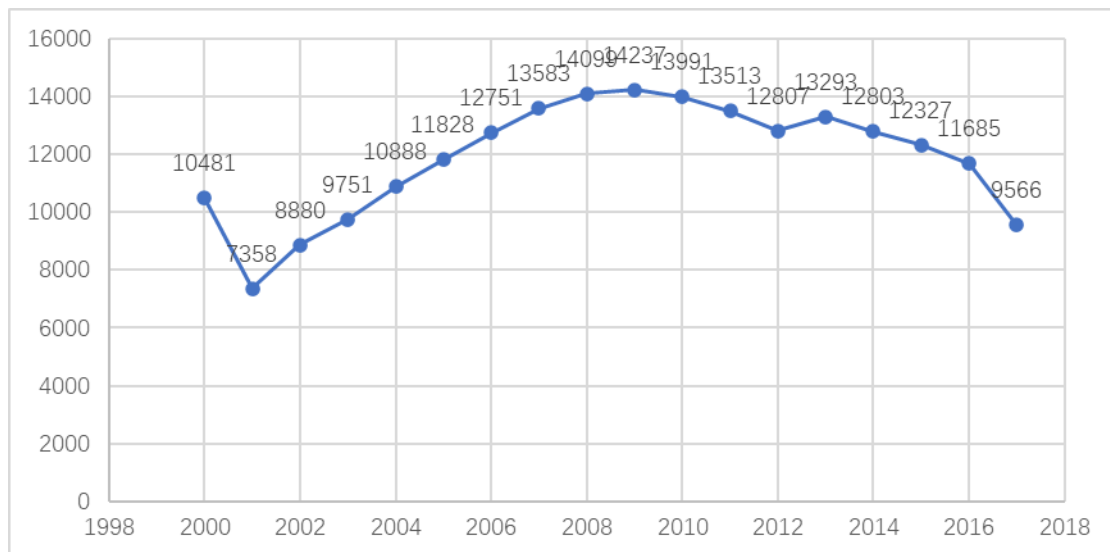


Source: National Bureau of Statistics (2020a)

However, the counterpoint to the large growth in the number of visitors, there is another scene in the Chinese hotel industry that illustrates the competitiveness of the industry as the number of star-hotels has experienced a steep decline in recent years (see Figure 1). Despite the fact of decreasing number in star-rated hotels, the Chinese hospitality industry has grown rapidly in recent years and contributed to the development of the tourism industry and to China's economic growth (Andreu et al., 2017). It stated that the total hotel revenue has been accounted for by star-rated hotels which realised 893.81

billion RMB in 2016 (NBS, 2016).

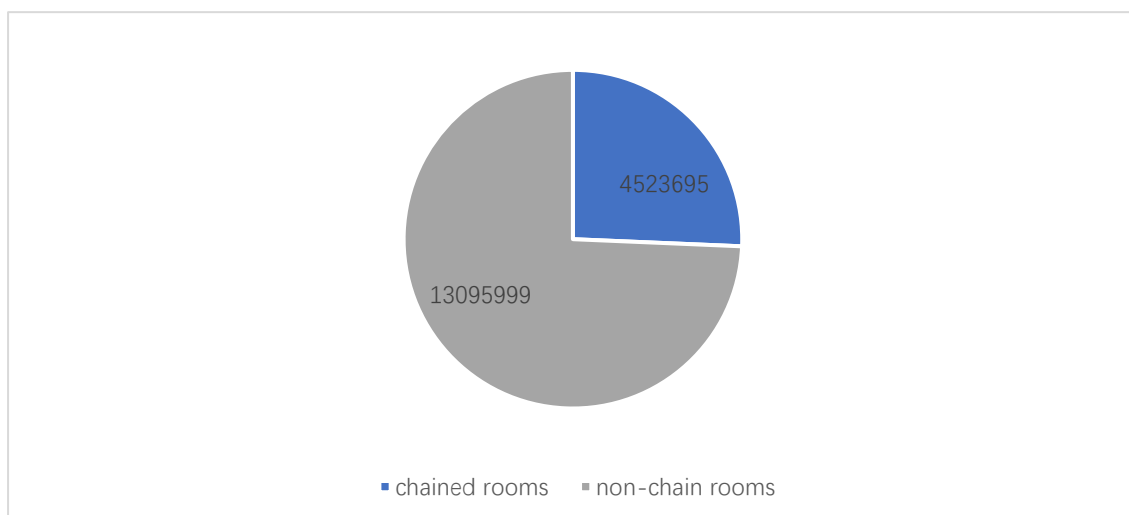
Figure 2 Number of Star-Hotels in China



Source: National Bureau of Statistics (2020b).

Based on the data launched by China Hospitality Association (2020), the total number of hotel rooms in China is 17.62 million, which consists of 4.52 million rooms in hotel chains and 13.10 million non-chain rooms (see figure 2).

Figure 3 Chaining Rate in the Chinese Hotel Industry



Source: Adapted from China Hospitality Association (2020a)

There is a prevailing phenomenon spreading across every corner of the world that the percentage of monomer hotels is decreasing while the percentage of hotel chains is

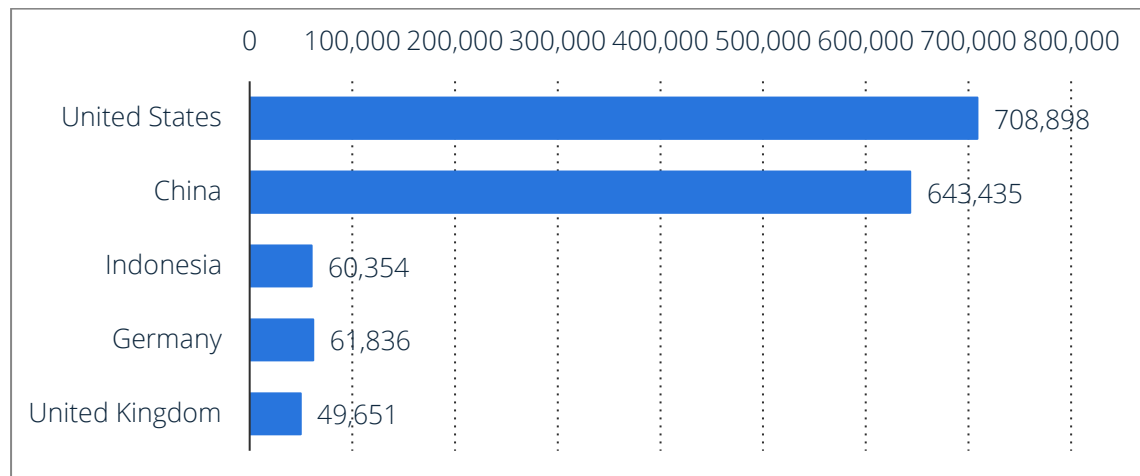
experiencing an opposite trend—rising dramatically, which has gradually become the mainstream. However, the chaining rate in the Chinese hotel market is 26% while the non-chain rate of hotel rooms accounting for 74% based on the figure showing above. It highlights one of the differences between the Chinese hotel industry and western hotel industry that the hotel branded rate in developed countries can reach more than 60% (China Hospitality Association, 2020a). The reasons behind such phenomenon have attracted many scholars (Alon et al., 2012, Gu et al., 2012, Gross et al., 2013a, Zhang et al., 2005) ranging from customer behaviour (Subramanian et al., 2016), cultural distance (Deng et al., 2019), entry modes (Andreu et al., 2017, Zhang et al., 2012) and urban land market (Chen et al., 2021, Egan et al., 2006, Egan and Nield, 2000a). However, previous research has largely overlooked the role of Chinese government and land developers in the development process of the hotel industry (Zhang et al., 2005). More specific, previous studies have overstated the adverse impact of the Chinese government as the dismal performance of the state-owned hotels which has been largely blamed for the inefficient instruction and resource distribution.

As the number of star-rated hotels declines and simultaneously revenues of the hotel industry increase, it alerts the intensified competition in such related industry in mainland China (Andreu et al., 2017, Yang et al., 2017). Becoming the part of hotel chains, especially for international hotel chains (IHCs) could enjoy the benefits from standard operating procedures (Kundu and Contractor, 1999, Contractor et al., 2003), size, efficiency and productivity due to the advanced technology (Such and Mendieta, 2013), sharing of the brand (Casidy et al., 2018, Akbari et al., 2020) and whipped distribution in a bid to help the hotel to reach a better marketing position (Ivanova and Ivanov, 2015a). However, regardless the influence of MHGs on economy and society, there is currently no general agreement on its definition. It is common to see ‘hotel corporations’, ‘hotel chains’, ‘international/global hotel groups’ and various terms of MHGs which actually present the same phenomenon and can be exchanged directly in some cases (Holverson and Revaz, 2006). Additionally, most of them are widely used, but without a precise explanation or definition. It might be aroused by the confusing application of ‘hotel chains’ which could be considered as the unit of MHGs. a general agreement on the definition of MHGs appears to be absent, which leads to the chaos and confuse for the industrial practisers since previous studies deal mainly with single cases or explore a limited number of hotel chains (Ivanova et al., 2016).

Another problem could be caused by the misuse of the terminology that the current existing definitions of MHGs do not include the situation in the emerging markets such as China as the previous study has relied primarily on the western MHGs in developed countries. Although the Chinese hotel industry has received considerable attention from previous research (Gu et al., 2012, Gross et al., 2013a, Subramanian et al., 2016, Yang et al., 2017), there remain many unanswered questions about MHGs in China including its specific nature and different ways of expanding, as well as the differences between them and international hotel chains.

The continue increasing of international hotel corporations penetration in emerging countries as China, India, Brazil, and Mexico (Statista, 2020a). As it is shown in Figure 4 below, emerging countries like China and Indonesia are two of the countries with the highest number of hotel rooms in the construction pipeline worldwide in 2020, which indicates the concentration of MHGs has gradually shifted from developed markets such as the United States to emerging markets like China.

Figure 4 Number of Hotel Rooms in Pipeline



Source: Statista (2020b). Available at <https://www.statista.com/topics/7232/hotel-industry-in-china/>.

According to the data released by Statista (2020e), the Chinese hotel industry generated a revenue of approximately 434 billion yuan, which registers a year-on-year increase of 6.99%. The Chinese hotel industry plays a significant role in economic development and job creation (Yang et al., 2017). China is expected to catch up with and surpass the United States by 2025 reaching 6.1 million hotel rooms (Hardingham, 2012). The expansion of MHGs has been recognized as one of the main drivers of the rapid

development of the hospitality industry in China. Over the last two decades, MHGs such as Starwood, Hilton, Marriot, IHG, Kempinski, and Four Seasons have simultaneously made a long-term strategy aiming for the large expansion on the significant hotel development pipeline in China (Hardingham, 2012). As an emerging market, it appears that China has been increasingly regarded as the core target for each of the MHGs. Although a considerable body of research has emphasized the importance of emerging market especially China, less attention has been paid to the typical features of the Chinese hospitality industry and the current situation of MHGs. In addition, there is an increasingly fierce competition in the current Chinese hospitality industry as mentioned above which makes the results of this study more significant contributions to the industrialists and policymakers.

Although MHGs have such as Hilton Worldwide (Hilton, 2020) and Marriot International (Marriott, 2020), located most of their properties (4848 and 5396 respectively in 2019) in the North America region, they both have a strong increase in the number of properties (93% and 38% growth rate respectively from recent three years 2016-2019) in the Asia Pacific area (See Appendix I).

Table 1 Top 10 Worldwide Largest Hotel Groups Ranking in 2020

Rank	Name	Location	Properties	Rooms
1	Marriott International	USA	7,163	1,348,536
2	Jin Jiang International	China	10,020	1,081,230
3	Oyo Rooms	India	45,600	1,054,000
4	Hilton Worldwide	USA	6,110	971,780
5	Intercontinental Hotels Group (IHG)	USA	5,903	883,563
6	Wyndham Hotels & Resorts	USA	9,280	831,025
7	Accor	France	5,036	739,537
8	Choice Hotels International	USA	7,153	590,897
9	Huazhu Group	China	5,618	536,876
10	BTG Hotels Group Co.	China	4,450	414,952

Source: Adapted from Hospitality On (2020) and Annual Reports from companies.

Based on the data released by Hospitality On (2020) as shown in the above Table 1, it clearly reflects the driving force of the global hotel industry from emerging countries like China and India. Oyo, an Indian brand, jumped to the third place with more than 1 million rooms worldwide in just few years from the establishment of the company (Chua et al., 2020). In addition, with the acquisition of Radisson Hotel Group in 2018 (Radisson Hospitality, 2019), Jin Jiang International has achieved another double-digit growth in 2019 and climbed to the second largest hotel groups in the global hotel industry.

It has been calculated by STR (2020), there are over 700,000 hotels and resorts with 16.4 million hotel rooms in the current global hotel markets. However, the top ten largest MHGs listed in the above table have reached approximately 8 million rooms, which is near half of the worldwide market. The importance of MHGs has received

considerable attention from previous researchers (Altinay and Miles, 2006, Chen and Dimou, 2005, Chua et al., 2020, Ivanova et al., 2016, Praporski, 2008, Crick and Spencer, 2011, Woo and Mun, 2020), but a comprehensive review, especially focusing on the emerging markets such as China, would contribute to the current understanding.

1.2.2 The need to research location strategies of MHGs in China

During the enlargement of MHGs within the countries, location strategy plays a crucial role in this process not only because the performance of the hotel industry is closely related to the property location (Adam and Amuquandoh, 2014, Kruesi et al., 2018, Quer, 2021, Woo and Mun, 2020, Yang et al., 2014, Yang et al., 2015) but also because an appropriate strategy can influence the hotel company's competitive advantage (Hossain et al., 2021, Johnson and Vanetti, 2005, Kim and Oh, 2004, Wang et al., 2020b). Locational strategy has drawn increasing attention from academic and business industries in the past two decades (Aladag et al., 2020, Rhou and Singal, 2020). However, it remains an unanswered question that what the specific suitable locational strategy for MHGs expanding into China as one of the largest emerging markets in the world.

Location strategy has become an interesting topic for firms whatever they are manufacturing companies or hospitality companies (Kruesi et al., 2018, Porter, 2011). The importance of hotel location has been reemphasized by previous research (Chou et al., 2008, Godinho et al., 2018b, Godinho et al., 2015) including helping increase market share, enhancing the profitability and shortening the payoff period for fixed capital investments. Although there are many theories in different subjects about location strategy, researchers are unanimous in affirming that it is influenced by two kinds of factors, country-specific advantages and firm-specific advantages (Rugman and Li, 2007, Collinson and Rugman, 2011, Hillemann and Gestrin, 2016, Li and Oh, 2016). For general companies such as manufacturing firms, international business scholars focus on the characteristics of economic agglomeration (Beugelsdijk et al., 2010, Rugman and Li, 2007), geographic scope (Asmussen, 2009), culture distance (Deng et al., 2019) and entry mode (Andreu et al., 2020b). For hotel companies, although it is unnecessary for them to consider the problem troubled manufacturing

companies that the distance between factories and markets, it is a big obstacle for them to expand into a foreign country by building a new property (Alon et al., 2020). Geographical dispersion is one of the main topics of locational strategy which has an important influence on operation performance in the future (Yang & Lee, 1997). However, it is determined by not only market but also political policy (Baron, 1995; Bonardi et al., 2005; Hillman & Hitt, 1999). Firms, both manufacturing companies and hotel companies, have to consider government policy which has a direct influence on the supply and demand of goods and services (García-Canal & Guillén, 2008). Unfortunately, considering previous studies, surprisingly, a clear and logical comparison between the location strategy of manufacturing companies and hotel companies appears to be absent.

In addition, various academic studies often focus upon western countries such as America (Canina et al., 2005), Portugal (Barroco et al., 2016), Eastern Central Europe (Johnson & Vanetti, 2005). In spite of this variety, there has not been a systematically comprehensive academic study of expansion undertaken by MHGs in China. With the growth of the economy, MHGs have accelerated their expansion in China since the 2008 Beijing Olympic games. For example, Intercontinental Hotel Group has experienced a rapid development from 84 properties in 2008 to 269 properties in 2016 (IHG, 2020). As described in section 1.1, the current Chinese hotel industry has been experienced more fierce competition than ever before as the MHGs like Intercontinental Hotel Group continuously enter the market. The lack of knowledge about patterns such as customer preference, supply and operation management and strategic management working in mainland China has resulted in many failures made by MNEs such as Tesco (BBC, 2015). Therefore, it is necessary to develop the locational strategy based on the specific nature of the hotel industry as well as consider the particular context of the Chinese hotel market.

Another problem should be noted is that there is limited research investigating the differences in locational strategy between current and decades before. Due to the increasing online reservations and prevalent loyalty programs among the hotel industry, it requires more considerations than it did a generation ago when deciding to invest in a hotel location (Wei, et al., 2001). It means that settling along the edge of a busy motorway is currently not even the best choice for a new hotel property it once was (Dunning, 2001) if considering the external environment such as economic

agglomeration and geographic scope (Singal, 2015, Yang et al., 2012). Brand loyalty also has a crucial position in attracting or maintaining customers (Wai, 2004). This situation also demands that hotel companies and land development firms need to rework the game plan when it comes to site selection. There is little literature that has put these two major participants together during the location strategy-making process. Regarding the role of hoteliers and developers, it is necessary to consider both interests in order to optimize each other benefits such as the operating revenue and costs of building the property. However, few of previous research highlighted the importance of distinguishing the role of responsibility within this strategic decision-making process.

With the increasing number of tourists, the hotel industry has grown rapidly in both developed and developing countries during the past decades. Based on the report released by the United Nations World Tourism Organization (UNWTO) in 2018, the tourism industry has become one of the biggest and fastest-growing economic sectors in the world during the last few decades. As one of the pillar industries of the tourism industry, the hotel industry has experienced a dramatic increase owing to the rapid development of the service and tourism sector (Yang et al., 2017). It draws much attention to the development of a hotel in developing countries, for example, China. In fact, as the world's second-largest economy, China has been expected to become the first tourist destination in the world (Andreu et al., 2016). Based on this circumstance, the Chinese hospitality industry has made a great progress overtaking a country that had traditionally occupied top positions in world tourism rankings (Andreu et al., 2017) which has mirrored the increasing popularity of the tourist destination. The annual investment of the Chinese hotel industry has been soared from 42.8 billion yuan to 597.6 billion at the 22.48% average annual growth rate speed from 2003 to 2015 (China Statistical Yearbook, 2004 to 2016). As for the growth of domestic five-star hotels, the annual investment growth rate has reached 361% from 2000 to 2010 according to the data on the China Statistical Yearbook 1999 to 2010. However, as mentioned above, the development bottleneck of the Chinese hospitality industry has shown in recent years with the symptoms such as the decreasing number of star-rated hotels and more intensified competition in such industry. It becomes important to develop a comprehensive understanding of how academic research in such an area evolves to solve practical issues and boosts the development of the industry.

However, in most papers, researchers are concerned about the business behaviour of

multinational enterprise by using international trade theories which refers to manufacturing and not hotel firms (Alonso, 1964, Andreu et al., 2020a, Erramilli et al., 2002, Johnson and Vanetti, 2005). Although scholars have begun to amplify the knowledge in this field, there are few studies focusing on the hotel industry in developing countries especially the expansion of MHGs in underdeveloped areas. Additionally, the attraction of the specific spatial strategies of MHGs has been largely ignored during their expansions in developing countries.

1.2.3 The need to consider the application of game theory

Game theory has been widely accepted as one of the most effective analytical tools to explain the strategies undertaken by decision-makers (Osborne and Rubinstein, 1994). Game theory explains how rational people act and react to maximise their benefits under uncertainty through the three main strategies: best responses, dominant strategies, and Nash equilibrium (Osborne and Rubinstein, 1994). Von Neumann and Morgenstern (2007) defined equilibrium for “noncooperative” games was largely confined to the special case of “two-person zero-sum” games, in which one person’s gain is another’s loss, so the payoffs always sum to zero. Building on their work, Nash proposed a notion of equilibrium that applied to a much wider class of games without restrictions on the payoff structure or number of players (Holt and Roth, 2004).

By using one of famous models in game theory, the Prisoner’s Dilemma model which is instructive for examining competitive marketing strategy, Chung (2000) pointed out that there is a positive relationship between pricing strategies and business performances of supper deluxe hotels in Seoul. In the same token, decision theory has been deployed by Williams (1977) for setting hotel reservation policy. Game theory has received increasing attention in the field of analysing international environmental problems (Finus, 2002). Supply chain which includes price wars and other price-cutting behaviour (Griffith, 1988) could be relatively well explained by game theory (Esmaeili et al., 2009; Van den Heuvel et al., 2007). However, few attempts have been made to investigate the role of game theory in the hotel industry. More importantly, there are few studies using game theory to solve the inevitable and basic problem: location strategy (Chamberlin, 1948; Hotelling, 1929, Steven, 1961). Even worse thing is that most of these studies are historically old which needs to keep pace with the times.

It might be quite problematic for MHGs making location decisions, especially in the region (China) they are not familiar with due to the existing cultural distance (Deng et al., 2019) and self-reference criteria (Youssef et al., 2019). Godinho et al. (2018b), therefore, pointed out hotel chains must react to competitors by changing prices in order to avoid losing customers and maximise their own profits.

It becomes more important for the application of the game theory in the hotel industry in mainland China as the evidence from the industry practice shows that the location choice of hotel property is not as simple as previous thinking made by hotel companies or by land developers separately. The decision-making process of hospitality management has been proved to be a complex and multi-criteria process (Deng et al., 2014). However, it was assumed that a decision maker's behaviours are not affected others in the traditional hotel industry academic research. The application of game theory is properly reflected the general competitive environment in real world where the aim of rational people is maximising their own benefits and everyone is thereby inevitably influenced by others' behaviours.

The relationship between MHGs and local government has been emphasised by many previous research (Gross et al., 2013a, Gu et al., 2012, Zhang et al., 2005). However, little research pays attention to the result of this link which might also result in the location strategy of MHGs. It can be argued that the negotiation between hoteliers, land developers and government during the decision-making process led to the locational strategies of MHGs in China. Although there is an increasing recognition of the role of government during the entry modes selection (Alon et al., 2020), most of these research focus on the political environment and government policy (Alon et al., 2012, Yang et al., 2012, Zhang et al., 2012). It was assumed that the decision-making process was made by hoteliers with the consideration of the government influence. However, this simplified process has limited contribution to the practices of MHGs especially when they expand their business in mainland China. Multiple stakeholders such as government and land developers (Wang et al., 2018a) evolve in the hotel location decision-making process. It should be noted that revenues from the hotel industry are depended on both hotel operations and real estate values (Gu et al., 2012). In addition, local government provides various benefits such as low-interest loans and favourable land acquisition terms (Xu et al., 2012).

The question is that whether the game between government, land developers and hoteliers can be set up in a few clues such as matrices for MHGs in order to consider the location during their expansion while using best responses, dominant strategies or Nash equilibrium in game theory. In addition, different interests of each player result in different considering factors during the decision-making process. This study provides a stronger theoretical understanding of the locational issues of MHGs in China by utilising game theory framework analysis. It will be more clearly to catch the major issues during this significant strategic movement. In addition, the results of this study will also help hotelling practitioners to acquire a more precise picture about the locational strategy made process in China.

1.3 Research aim and objectives

With the consideration of needs to research and questions above, this thesis has the following specific research aims and objectives are as following:

Research aim 1: To critically review literature related to MHGs regarding the current situation in China and their decision-making process for hotel location choice.

Objective 1.1: To critically review the literature relating to MHGs and their explanation

Objective 1.2: To critically review the literature relating to the characteristics of Chinese hospitality and the current situation of MHGs in China.

Objective 1.3: To critically review the literature relating to game theory and current usages in the industry

Research aim 2: To develop in-depth insights into key factors influencing the locational decision-making process of MHGs during their expansions in China.

Objective 2.1: To explore the roles and influences of different stakeholders during the MHGs expansion in China.

Objective 2.2: To synthesise and compare the stakeholder's views and establish inter-relationships among the stakeholders.

Research aim 3: To develop decision-making regression models to reflect location

strategies of MHGs in China.

Objective 3.1: To examine the correlations among three key stakeholders (hoteliers, land developers and the government) during the locational decision-making process by testing the models using the available secondary data

Objective 3.2: To examine the validity and reliability of the decision-making models

1.4 Significance of this research

The locational strategy has been increasingly discussed by many researchers from various industries such as the manufacturing industry (Dunning & Kundu, 1995; Dunning & McQueen, 1982) and hospitality industry (Alon et al., 2012; Andreu et al., 2017; Guillet et al., 2011; Heung et al., 2008; Yang et al., 2012; Yang et al., 2017; Zhang et al., 2012). It is noticed that hotel property has been regarded as the priority issue among the hospitality management (Wei et al., 2001). However, there is limited research about the knowledge and issues in the decision-making process of selecting new hotel property during the expansion of MHGs in mainland China, despite the dramatic increasing hospitality industry development in this emerging tourism market. Consequently, this study critically reviews literature related to MHGs regarding current situation in China and fills in the knowledge gap through providing a holistic examination of their decision-making process for hotel location choice.

In addition, previous studies highlighted the influencing factors of the location strategy based on different theories such as the transaction theory, the resource dependency theory and OLI model (e.g. Alon, et al., 2012; Andreu et al., 2017; Johnson & Vanetti, 2005; Yang, et al., 2012). Collinson and Rugman (2011) also provided the firm-specific advantage (FSA) and country-specific framework (CSA) to outline the influential factors among locational strategic decision. Building on the CSA-FSA framework, many researchers further contributed to the international business and entry modes selection (Hillemann and Gestrin, 2016, Li and Oh, 2016). However, most of the previous study failed to combine the typical features of the Chinese hotel industry with the selection of the location. This study contributes to developing an in-depth insight

of key factors for MHGs in the decision-making process through analysing the behaviour carried by each player.

Furthermore, game theory has been broadly accepted and applied in other industries such as the automobile industry and political science area (Cachon and Netessine, 2006, De Pelsmacker et al., 2018, Guo et al., 2013, Soltani et al., 2016, Von Neumann and Morgenstern, 2007). Previous scholars attempted to achieve a comprehensive and theoretical understanding of the different concepts in the tourism industry (Williams and Balaz, 2015). Tran and Thompson (2015) utilised game theory to examine characteristics between China and Japan tourism development and found the interdependencies between the two countries. In addition, Xuan et al. (2016) conducted game theory to forecast the outcomes if hotel managers change the price. However, there are few studies that attempted to use game theory to explain the locational decision-making process in the hotel industry. Godinho et al. (2018b) provided with a hotel location model combining both game theory and gravitational site location models. Yang et al. (2014) classified hotel location models into three major categories, namely theoretical models, empirical models and operational models. Most of these previous studies focus on the explanation of the spatial location or room pricing choices of the hotels, but the initial decision-making process for choosing hotel property location appears absent. Considering the importance and particularity of the Chinese hotel industry mentioned above, this thesis aims to develop decision-making regression models to reflect location strategies of MHGs in China. The findings are claimed to be beneficial for hoteliers and related industrialists who would like to target the Chinese hotel market as well as the tourism industry in Mainland China.

1.5 Organisation of the thesis

This thesis is constructed of nine chapters and logically arranged as follows:

Chapter 1 starts with the introduction of the research field this thesis aiming at and providing an insight into the aims and objectives of the research. It unveiled the practical problems such as differences among the decision-making process in China and advanced markets that the Chinese hospitality industry and MHGs are confronted with, and strengthened the significance of these problems by highlighting the profound influences such as game-changing patterns.

Chapter 2 explores issues relating to the current situation of MHGs regarding the decision-making process for hotel location choice in Mainland China. With the clarification of the definitions of MHGs and the differences between MHGs and IHCs, it further critically reviews the literature on the nature of the Chinese hospitality industry.

Chapter 3 presents a critical analysis of the existing literature about the current common locational strategy that MHGs pay attention. By highlighting the achievements of different theories about the locational strategy, this study explores the influential factors that affect the strategy formulation in China and explains the role of selected factors. Chapter 4 analyses the merely existing literature about the game theory and its applications in other industries. And it presents the conceptual framework based on the game theory.

Chapter 5 explains in detail the research methods adopted including the philosophical position and paradigm of inquiry. In order to reach the aims and objectives of this study, there are two stages of research methods containing both quantitative and qualitative data as well as the different sampling techniques and research design.

Chapter 6 presents the first step of the research with the framework analysis of interviews. This chapter addresses the determinants of the hotel location decision-making process in China by critically examining the views from key stakeholders including managers, directors and officers from MHGs, real estate companies and local government.

Chapter 7 presents the second step of the research with the results of quantitative analysis. By using secondary data from the industry, it provides the decision-making model for MHGs who want to expand their business in China.

Chapter 8 discusses what has been done in the research by comparing the results of this study with previous literature and emphasizes both the industrial and academic contributions.

Chapter 9 concludes the findings and both theoretical and managerial implications of this research. With the consideration of the limitations of the current study, future suggestions for further investigation have been provided.

Chapter 2 The Nature and Definition of Multinational Hotel Groups

2.1 Introduction

As complex organisations, Multinational Hotel Groups (MHGs) share the attributes of multinational enterprises (MNEs) while shed the light on their specific characteristics as service industry organisations. Although there are considerable concerns about the issues of MHGs such as entry modes selection (Andreu et al., 2020b, Ge et al., 2018, Yang and Buschman, 2017), property location selection (Yang et al., 2017, Zhang et al., 2012), and strategic management process (Altinay and Javalgi, 2007, Yeung et al., 2016, Youssef et al., 2019), it appears the absence of a clear and wide accepted definition of MHGs. It has received different names such as ‘hotel corporations’ and ‘global hotel groups’. Considering various perspectives which different studies have focused on, it is possible to see diverse terms such as ‘[international]/global hotel chain’ (Alon et al., 2020, Ivanova and Ivanov, 2015a, Ivanov and Zhechev, 2012, Kundu and Contractor, 1999, Pine, 2002) and ‘[international] hotel groups’ (Alexander and Lockwood, 1996, Burgess et al., 1995, Chen and Dimou, 2005). Although there are various opinions regarding the MHGs, it was suggested that these terms represent the same phenomenon and can be easily interchanged (Holverson and Revaz, 2006). However, most of them are commonly used, but without a precise explanation or definition (Ivanova et al., 2016). The misuse of terminology might cause chaos in academic research, especially in the situation where the numbers of different names about MHGs could not serve for general conclusions. Therefore, there is an urgent requirement of a clear, comprehensive and suitable definition for MHGs.

Based on *Table 1* shown in Chapter 1, it is clear to see that the top 10 hotel companies measured by the number of rooms in the world are MHGs instead of monomer hotels. According to the data calculated by STR (2020), there are over 700,000 hotels and resorts with 16.4 million hotel rooms in the current global hotel markets. The total number of the top 10 hotel companies’ rooms has reached approximately 8 million, which is almost 50 percentage of the worldwide market. Therefore, the movement of

MHG has an immense influence on the hospitality industry. For example, with the acquisition of Starwood Hotels & Resorts Worldwide (Marriott International, 2015), Marriott International has reached a 30 hotel brands portfolio like Marriott, Courtyard and Ritz Carlton brands with Starwood's Sheraton, Westin, W and St. Regis properties (to provide just a few names). As a result, Marriott has become the largest hotel group with more than 1.1 million rooms in more than 110 countries. In other words, nearly one out of every 15 hotel rooms around the globe is operated by or affiliated to Marriott. Consequently, MHGs has great influence on the hospitality industry as their strategies even impact other companies in the whole sector. With substantial financial support, MHGs are able to form economies of scale by completing the mergers and acquisitions (Zhang et al., 2019). In addition, they lead the industry by introducing technological advances with information acquisition support (Gursoy and Chi, 2020). Due to the high agglomeration (Singal, 2015), low entry-barrier (Lado-Sestayo et al., 2017) and high exit barriers (Singal, 2015), the competition between the hotel industry has become more fierce in recent years. Therefore, it is necessary for industrialists to clarify the nature of hotel corporations in order to make a suitable and competitive plan responding to the increased pressure on the organisations.

This chapter is organised into four sections to effectively examine the body of literature that surrounds the research area of multinational hotel groups. It begins with the focus of definitions of MHGs by addressing former literature, followed by a review and analysis of the existing definitions of hotel chains provided by previous scholars and adopting an exclusive definition from a slightly different angle based on the aim of this thesis. Moreover, the expansion methods of MHGs are compared while considering the complex and extensive Chinese hotel market. A brief review of the Chinese hospitality development history helps analyse the typical features of the Chinese hotel industry by reviewing existing literature. Finally, this chapter discusses the specific trend in certain circumstances of the current hotel industry in China, especially the current situation of MHGs in China.

2.2 Definitions of Hotel Chains and Multinational Hotel Groups

The differences between international hotel chains (IHCs) and multinational hotel groups (MHGs) have been overlooked during the development of the hotel industry. ‘Multinational hotel group’ is used as a term to describe the hotel chains from a comprehensive perspective, which will be considered as the companies holding more than one brand in their brand portfolio (Ivanova and Ivanov, 2015a, Ivanova and Ivanov, 2015b, Ivanova et al., 2016). Simultaneously, ‘international hotel chains’ is used to address the brand portfolio of hotel companies (Crick and Spencer, 2011, Chibili, 2017).

2.2.1 Review of the existing definitions of international hotel chains

The hotel chain concept first appeared during the last years of World War II and immediately expanded at a fast pace (Cunill, 2006). During this period, hotel companies such as Hilton Hotels Corporation and Sheraton chains began to grow very rapidly in the United States by acquiring and remodelling the old individual hotels (Bell, 1993). The reason behind this phenomenon could be resulted from the efficiency as hotel companies were able to expand their brand without building new hotels. The term ‘hotel chain’ openly acknowledges two meanings included in the phrase itself (Ivanova et al., 2016). One is ‘hotel’ implying that the company belongs to the hotel industry addressing the area and field. The other one is that the ‘chain’ indicates that objectives (hotels) are joined together into one unified system. Consequently, a hotel chain literally means a group of hotels that belong to the same company or owner, or are associated in some way such as affiliation and franchising (Ivanova et al., 2016).

Previous researchers explained the definition of hotel chain from different perspectives, although they did not give exact definition words and did not even use the term ‘hotel chain’ (Alon et al., 2020, Altinay and Miles, 2006, Brown et al., 2003, Contractor et al., 2003, Chen and Dimou, 2005, Wang et al., 2018b, Gross et al., 2017, Woo and Mun, 2020). For example, by applying Resource-Based View (RBV) (Espino-Rodríguez and Padrón-Robaina, 2005, Silva et al., 2017), Transaction Costs Approach (TCA) (Akbar

and Tracogna, 2018, Camison et al., 2020, Elhoushy et al., 2020, Kruesi et al., 2018), Agency Theory (Alon et al., 2012, Contractor et al., 2003, Dogru and Sirakaya-Turk, 2018, Wang et al., 2018b), Stakeholders Theory (Friedman and Miles, 2002, Guix et al., 2018, Shi and Tsai, 2020), previous researchers have obviously contributed to the enrichment of literature about hotel chains. A synthesis of these diverse theories provides a detailed picture of the versatile nature of the hotel chain from various perspectives of the firm, such as the crossing relationships, information and communication flows, contractual links and evolving problem (Ivanova et al., 2016).

Studies of the determinants of international investment in the services sector are supported by traditional explanations from manufacturing (Kundu and Contractor, 1999). Hotel chains might be originated from the theory of brand management as previous scholars call them 'brand hotels' (O'Neill and Carlbäck, 2010), 'hotel brands' (Bernstein, 1999, O'Neill and Mattila, 2010), 'branded hotel operators' (Beals and Denton, 2005). Considering different types of affiliation has led to the names like '[international] hotel operators' (Cervion and Bonache, 2005) and 'hotel chain operators' (Deroos, 2010). It could be deduced that business theories such as brand management and value chain theories give the inspiration of the hospitality management researchers, especially for the application of multinational enterprise (MNEs) theory in the hospitality industry. Moreover, it can be argued that the term 'hotel chain' is derived from the theory of value chain and the development of hotel chain theory is relevant to the maturity of value chain. In addition, the theory of internalization and globalization also plays a crucial role in building the image of the hotel chain and leads to the terms, e.g. '[international]/global hotel chain' (Alon et al., 2020, Ivanov and Zhechev, 2012, Ivanova and Ivanov, 2015b, Pine, 2002, Kundu and Contractor, 1999). However, despite a large amount of research on hotel chains (Brown et al., 2003, Contractor et al., 2003, Erramilli et al., 2002, Ivanova and Ivanov, 2015a), there is little research concentrating on the deeper exploration of the relationship between hotel chains' attributes and their origins. Each specific terminology of hotel chains is on behalf of one specific theory applied in a separate perspective of hotel chains. For instance, RBV focuses on the impact of the resources possessed by hotel companies while agency theory concentrates on the relationship between franchisors and franchisees. Ivanova et al. (2016) provided clarification of different existing definitions of hotel chains and contributed to the development of systematically

researching about the nature of hotel chains. However, their work ignored the differences between emerging countries and developed countries in the hotel industry such as the role of government and the structure of corporate governance. Building on their work, this chapter analyses the attributes of hotel chain from the existing definitions.

Based on the argument provided by Pearce (2020), multiunit and modal choice are intrinsic features of hotel chains which addresses the feature that multiunit enterprises affiliated with individual hotels through different ways, modal choice, e.g. ownership, franchising, management agreement, lease and marketing consortium. Therefore, there are two ways of defining 'hotel chain' based on the current study, modal choice and multiunit nature which have been presented in Table 2 below. On the one hand, most of the previous scholars chose the number of hotels in chains as the key to defining the 'hotel chain' as shown in Table 2. When considering a group of hotels as a chain, they pay attention to the number of hotels that should be included in the hotel chain, and some of them even point out the exact minimum number of hotels, such as Tse (2016), Bhatia (2006), Peng (2004).

The definition of hotel chain has experienced a clear improvement as time goes on presented in Table 2-1. With the passage of time, the definition introduces new concepts constantly by comparing them with each other. For instance, the concept of the brand was added into the definition of hotel chains until 2004 and the types of affiliation have been continually improved and optimized.

Table 2 Definitions and Attributes of ‘hotel chain’

Source	Definition	Key points	Gaps	Attribute
Contractor and Kundu (1998a: 327)	A global hotel firm is defined as one that either has an equity stake in a foreign property, or operates the hotel under a management service agreement, or is a franchiser to the foreign hotel property. Thus, a company could be a global firm without any ownership of a foreign property.	<ul style="list-style-type: none"> (1) global coverage (2) different ways of affiliation (3) focus on geographical coverage (4) different ways to expand (5) non-equity business mode 	<ul style="list-style-type: none"> (1) chain or brand is not mentioned (2) based on the theory of firm 	model choice
Jafari (2000:76)	Chain hotels are made up of affiliated properties by virtue of the fact that the chain is constructed on a continuing basis to be responsible for putting in place at least one management function in the whole system. A hotel chain is thus an organisation that competes in the tourism industry, either locally, nationally, regionally or internationally, with more than one unit of similar concept or theme.	<ul style="list-style-type: none"> (1) affiliated properties (2) organization with at least one centralized management function (3) geographical distribution (4) more than one unit (restriction on the minimum number of properties) (5) similar concept 	<ul style="list-style-type: none"> (1) brand is not mentioned (2) types of affiliation are not mentioned 	multiunit nature

Peng (2004: 242, xi)	Organisations which comprise two or more hotel units operating under a system of decision-making permitting coherent policies and a common strategy through one or more decision-making centres and in which the hotel units and corporate functions are linked to add value to each other by ownership or contractual relationships.	<ul style="list-style-type: none"> (1) two or more hotel units (restriction on the minimum number of properties); (2) centralised management; (3) coherent policy and common strategy; (4) added value for both sides; (5) different ways of affiliation: ownerships and contractual 	<ul style="list-style-type: none"> (1) only focus on the decision-making level of management; (2) only ownerships and contractual mentioned 	multiunit nature
Bhatia (2006: 193)	A chain consists of three or more properties owned or managed by the same company and operated under the same brand.	<ul style="list-style-type: none"> (1) three or more properties (restriction on the minimum number of properties); (2) the same company or brand; (3) ways of affiliation 	<ul style="list-style-type: none"> (1) only ownership and management contract mentioned; (2) overlook the attribute of globalization or internationalization 	model choice
Andrews (2009: 19)	A hotel chain is a series of hotels under a common brand name spread both nationally and internationally.	<ul style="list-style-type: none"> (1) multiple hotel units; (2) common brand; (3) geographical distribution 	<ul style="list-style-type: none"> (1) ways of affiliation are not mentioned; 	multiunit nature

Ivanova (2013)	A group of hotels, sharing a common brand aiming for a better market position through a combination of resources, activities and relationships, operating on a national and/or international level.	<ul style="list-style-type: none"> (1) multiple hotel units; (2) common brand; (3) marketing aim; (4) resources, activities and relationships as building blocks of the organisation; (5) geographic coverage 	<ul style="list-style-type: none"> (1) centralised management is not mentioned; (2) types of affiliation are not mentioned 	multiunit nature
Smith Travel Research	A nationally recognised brand or chain or a closed hotel. Generally, STR will create or designate an affiliation once the company has a minimum of eight properties in its portfolio.	<ul style="list-style-type: none"> (1) the minimum number of hotel properties; (2) brand portfolio; 	<ul style="list-style-type: none"> (1) ways of expansion are not mentioned; (2) types of affiliation are not mentioned 	multiunit nature
Adapted from Ivanova, M. and Rahimi, R., 2016. Nature and definition of hotel chain. <i>The Routledge Handbook of Hotel Chain Management</i> , p.9.				

Scholars also call hotel chains as ‘hotel franchise systems’ (Brown et al., 2003), ‘international hotel franchise’ (Heung et al., 2008), and ‘international joint-venture hotels’ (Wong et al., 2005), according to the attribute of model choice. Along this line, ‘[international tourist hotels’ is used by Chou et al. (2008), which has paid much attention to the decision-making model for hotel location selection.

In the light of the above facts, multiunit nature, common brand, types of affiliation, geographical distribution on different levels including national and international are supposed to be the main features of hotel chains. It has been largely accepted that hotel chains are presented as complex and compound organizations due to the crossing relationships among the process of operating hotels (Alexander and Lockwood, 1996, Altinay and Miles, 2006, Ivanova and Ivanov, 2015b). It also presents the complexity of the multiunit nature which has caused many problems among the operation and management (Deng et al., 2019). For example, the timeliness of command from headquarters might face challenges, due to the geographical distribution of hotel properties. Moreover, each independent hotel has its own operating system, reservation system, information acquirement system (Chibili, 2017). However, it is necessary to build an exchangeable and commutable system on the basis of several systems respectively when an independent hotel is affiliated by hotel chains. The fluent transfer of information is a significant part for hotel chains to survive the fierce competition (Dev et al., 2007, Shaw and Williams, 2009, Walter et al., 2007). Nevertheless, the effective management of information and process transfer is crucial for the whole value chain (Ezzaouia and Bulchand-Gidumal, 2020, Talón-Ballesteros et al., 2018), as the information enables customers to recognize the brand and cultivate loyalty (Talón-Ballesteros et al., 2018).

Brand, as the common feature, represents the core culture of the whole hotel chain, reflected by the spirit among service, the target of the market, the precise standards of hotels, and the distinctive preference with certain characteristics of the product (Akbari et al., 2020, O’Neill and Xiao, 2006). Brand can create a recognizable and unique image, or a concept, theme or feature to attract consumers (Peng, 2004, Tse, 2016). A brand portfolio is consequently used to encompass all multiple different brands under one umbrella, although each of these brands has separate trademarks (Foroudi, 2019, Wang et al., 2019, Xia et al., 2020). The passion for the sub-brand even has a great influence on corporate recognition (Wang et al., 2019). However, inefficiency is a normal

phenomenon when a company try to operate each of their brands completely separate from one another, due to the misallocation of resources (Xia et al., 2020). Therefore, many major MHGs such as Marriott International and InterContinental Hotel Group usually hold more than one hotel chain and experience growth by launching the new brand to occupy the aiming market. Generally, each hotel chain has certain boundary in order to serve the unique needs from the particular market segment (González-Mansilla et al., 2019). As a solution, brand portfolio is created to fulfil different needs of market segments where exceed the certain boundary of each brand.

Hotel chain expansion is the main purpose of affiliation and the adopted approach decide the type of affiliation. Entry modes are generally classified as non-equity (franchise, management contract, lease and marketing consortium) and equity modes (full ownership and joint venture) based on whether the capital involvement during the expansion process (Pan and David, 2000). Previous research shows that non-equity entry modes have become increasingly popular in the hotel industry due to efficiency and cost-saving (Yang and Buschman, 2017, Kruesi et al., 2018). And it has been largely discussed with scholars in operational control (Kundu and Contractor, 1999, Alon et al., 2020), development speed (Andreu et al., 2020a, Andreu et al., 2020b, Contractor et al., 2003) and organisational capability (Erramilli et al., 2002, Ge et al., 2018, Hossain et al., 2021). Based on the degree of affiliation, there are two types of affiliation, soft and hard (Dinesen and Sætre, 2018), which is decided by the strong or weak links between headquarters and members of the hotel chain. The relationships between the properties of network and central management have caused a contradiction. On the one hand, if the members have more power of self-control, the headquarters will have more barriers in delivering order (Ivanova and Ivanov, 2015a). As a result, the standardization of products will suffer the impact. On the other hand, if properties have less power of self-manage, it will be difficult for properties to utilize their advantage on the local market, although the central management has more power to implement policy (Alexander and Lockwood, 1996). Therefore, it is supposed that hotel corporation chooses an appropriate entry mode based on the match between their capability and market opportunity (Hollensen, 2020). However, although there have been considerable previous research concerns about entry modes choice of MHGs, these studies disregard the heterogeneity and relationships between hotel chains and hotel corporations.

Another important issue is the geographical distribution of the hotel properties as the location issues are accompanied by the hotel itself and the hotel chain from start to end (Alon et al., 2012). Due to the heavy investment of the hotel industry, it is generally a big obstacle to changing the site since the location of the hotel was initially selected (Chou et al., 2008, Godinho et al., 2018b). The geographical distribution on regional, national or international hotel chains always decide the strategic targets of management (Kruesi et al., 2018). Either domestic or global hotel chains should be taken into consideration, because even the national chains might be able to compare with the international one (Yang et al., 2017). It should be noted that domestic hotel chains are generally part of MHGs in one national market. For instance, Shanghai Jin Jiang is a hotel chain operating in China while Jin Jiang International also possess Europe's Groupe du Louvre in the international hotel market. Previous research has paid much attention towards locational issues of the hotel such as determinants of hotel location (Zhang et al., 2012), agglomerations effects (Singal, 2015), and tourist districts (Camison et al., 2020). However, it seems the absence of clarification from the strategic level while most of the previous research was focusing on the detailed factors due to the lack of distinguishing IHCs and MHGs.

To recapitulate, this research on the hotel chains borrows ideas from the theories of economics, management and geography to fill the gap of framework combining with characteristics of the hospitality industry. Ivanova et al. (2016) state that the hotel chain is defined as:

A hotel chain is a group of hotels, or any accommodation establishments, sharing a common brand and similar concept, implementing at least one centralized function, in order to reach a better market position and improve the performance of all properties. The hotel chains utilize equity and/or non-equity modes for their growth and operate on local, regional, national and/or international levels.

This definition captured the typical ingredients and specific features of hotel chains, focusing on the common brand, central management and market position. It gives the criteria to identify whether a group of hotels is a chain or not. Moreover, it provides the ways of affiliation which are classified as equity and non-equity modes.

2.2.2 Review of the existing definitions of multinational hotel groups

The various definitions of IHCs have resulted in the diverse views about MHGs. The most obvious thing is that they also have different names, e.g. '[international] hotel groups' (Alexander and Lockwood, 1996, Burgess et al., 1995, Chen and Dimou, 2005), 'international/multinational hotel companies' (Altinay and Altinay, 2003), 'branded hotel groups' (O'Neill and Carlbäck, 2010), 'multinational lodging corporations' (Bender et al., 2008), 'hotel corporations' (Ivanova and Ivanov, 2015b), 'multinational hotel firms/groups' (Zhang et al., 2012).

It is difficult to understand the concept of MHGs without a comprehensive understanding of MNEs due to the origins and relationship between them. The analysis of MHGs is largely informed by research into MNEs. Firstly, MNEs are essentially multi-unit organizations with numbers of subsidiaries located in different countries (Peng, 2004). More importantly, many large MHGs are themselves MNEs which can afford us lessons that merit attention. Secondly, the logic of creating the definition of hotel chains during the previous research enlightened the author. By synthesizing the theories of international investment, brand management and value chain, the definition of hotel chains constructed on the versatile nature of these frameworks.

Dunning (2001) outlined the MNE as "a group of largely independent multi-domestic foreign subsidiaries, each of which produces goods and services mainly for the local market". The term 'subsidiaries' or 'associates' has been recognized as the level of control exercised by the headquarters in order to realize the targets issued by different stakeholders (Harris and Mongiello, 2006). MNEs operate or control their production of goods or services in one or more countries other than their home country which identified as the network organizations (Andreu et al., 2020b). In these network organizations, headquarters need to report to the stakeholders while subsidiaries respond to headquarters (Ezzaouia and Bulchand-Gidumal, 2020). Information has been flowed in this communication network though the direction from the units to centre and centre to units (Walter et al., 2007). Indeed, as the part of MNEs, MHGs have similarities in such ways with MNEs as hotel sub-brand working in the frontline while headquarters of hotel corporation making strategic planning.

As it is depicted in Table 3 below, there are three different definitions of MHGs from multifarious perspective. According to the National Bureau of Statistics (2017), it focuses on the foreign direct investment (FDI) as the strategy of the MHG's expansion. In addition, it also reveals that MHGs are partially fall into the category of FDI (Zhang et al., 2012). However, it should be noted that when the MHGs invest in developing countries, not only equity entry mode could be used, but also non-equity mode would be adopted.

Table 3 The Definitions of Multinational Hotel Groups

Author	Definition	Key Points
Yearbook of China Tourism Statistics (1999: p.145)	A multinational hotel group is the economic type of an enterprise which is set up by foreign investors who invest in mainland China in compliance with the laws and regulation of the People's Republic of China concerning foreign economic relations, in the forms of joint venture companies, joint operation companies or companies of exclusive foreign investment, including three modes, i.e. Sino-foreign joint ventures, Sino-foreign jointly operated enterprises and enterprises with exclusive foreign capital.	(1) the economic type of enterprise; (2) owned by foreign investors; (3) different forms of multinational hotel groups; (4) different modes to expand
Kusluvan and Karamustafa (2001: p.181)	A multinational hotel company is defined as an enterprise that owns or controls value-adding activities in the accommodation sector in two or more countries. This involvement in at least two countries can take the form of equity involvement or contractual agreements such as management contracts, franchising, leasing and marketing agreements.	(1) an enterprise; (2) value-adding activities; (3) geographic distribution; (4) set minimum number of countries should be involved; (5) different ways to expand
Brookes (2007: pp.114-115)	The international hotel firm is defined as a discrete organizational entity with responsibility for developing, operating and supporting single or multiple branded portfolios.	(1) discrete entity; (2) the tasks of international hotel firm; (3) multiple brand portfolio

Source: Author

Kusluvan and Karamustafa (2001), in their study of multinational hotel development in developing countries, found that hotel companies have a close relationship with 'tour operators', 'travel agencies' and 'other businesses in tourist-generating or tourist-receiving countries'. In fact, the hotel group is constructed based on the chain operation.

It uses the brand of hotel or property as the link to form hotel chain. Brookes (2007) claimed that the MHGs are clearly separate entities which is parallel with the definition of MNEs. Moreover, it illustrates the tasks of MHGs, which is also demonstrated by the brand portfolio. Although Ivanova et al. (2016) did not give a comprehensive definition of hotel groups, 'hotel corporations' is used by them to explain the distinctive feature of MHGs, which is 'holding more than one brand in their portfolio'.

However, all of them have coincidentally reached an agreement with the essence of MHGs which is the enterprise or organizational entity. Therefore, based on the purpose of this study, 'multinational hotel groups' will be considered as multinational enterprises. Following the logic of creating hotel chains, it is reasonable to conclude a working definition of a multinational hotel group by analysing the definitions of MNEs. By comprising all of the intrinsic natures of MHGs, the definition of multinational hotel group will be defined as:

A multinational hotel group is an organization holding at least one hotel chain, sharing a similar concept and image, operating through one or more centres of decision-making in the market, controlling the added value activities with responsibility for leading, supervising, managing and supporting hotel chains which are usually on the international level. In order to realize the growth, the equity and/or non-equity modes or plural forms of entry mode will be applied to the independent hotel for joining the hotel chains.

This definition is synthesizing the definition of hotel chains and multinational enterprises, focusing on the organizational feature of MHGs, and taking the characteristic of Chinese hotel industry into consideration. There are some interesting points should be emphasized. Firstly, the appearance of 'one or more centres' of decision-making is because that it is impossible to overlook the influence of government during the operation of the business in the context of China (Quer, 2021, Ivanov et al., 2017, Wang et al., 2021). The hotels will be punished in some extreme situations by water-cut or electricity-cut, if they did not obey the local government (Heung et al., 2008). Therefore, it is necessary to indicate the role of politics considering the nature of MHGs.

Secondly, the possibility of 'usually on international level' is considerable, because

some of MHGs are even just located in one country. However, these MHGs own or control the global value chains, which are taken place globally, although they are distributed in a single country. For example, by adopting information technology, hotels are more convenient to achieve web marketing and online purchasing (Khalifa and Liu, 2017). Additionally, hotels also take an important position in the food products value chains (Dinesen and Sætre, 2018), which is also irrelevant to the location of countries. Thirdly, independent hotels could be guided into the management and control system of MHGs by the means of fully or partly ownership, management contract, franchising, leasing and consortium agreement. Hotel chains, as the unit of the MHGs, has a greatly influence on the parent company (Wang et al., 2019). The influence is not only from the ways of affiliation but also from the routine operational management.

2.2.3 The differences between multinational hotel groups and international hotel chains

MHG and IHC are both hotel companies in the competition of the hospitality industry with the process of adding value to the property's market value (O'Neill and Xiao, 2006). However, the scope of MHGs and international hotel chains are different. It is a serious decision with strategic importance (Yeung et al., 2016) for independent hotels to join a hotel chain. The main purpose for joining a larger entity like a hotel chain is to capture a better strategic market position (Ivanova and Ivanov, 2015b). Nevertheless, as mentioned above, each hotel chain has a certain boundary of the market (Keller, 2013). In other words, different brands represent versatile market segments, as they focus on the different targets of customers. By contrast, the target of MHGs could be a whole market in one district even on a multinational level, since they own more than one brand which could cover almost every aspect of the needs of the customers. For example, InterContinental, the luxury brand, is one of the hotel chains belong to InterContinental Hotel Group. It is aimed at upscale market, while InterContinental Hotel Group also possesses the midscale brands such as Holiday Inn Express and Candlewood Suites which focus on the middle and low-end market. From the perspective of InterContinental Hotel Group, it holds brands ranging from luxury to midscale and concentrating on the market from upscale to low-end, although each brand concerns only part of the whole market.

Secondly, the rationale of MHGs and IHCs are different. Based on the theories behind each term (business corporation and global value chain), it seems like that the MHGs concentrate on corporate management while the international hotel chains focus on production management. According to the above findings, the definition of hotel chains (Ivanova et al., 2016) shows the two targets of the operation are, 'reach a better market position' firstly and the second one 'improve the performance of all properties'. The process of improving the performance of all properties is the main task for hotel chains, which belongs to production management. In contrast, MHGs pay much attention to corporate management which entails they are the leaders of hotel chains. Strategies and standards are usually generated by MHGs and are followed by individual property. MHGs are responsible for the strategic planning, and the actual servicing process is operated on the ground of the plan in the individual property.

Thirdly, it can be argued that the roles of MHGs and IHCs are different according to their definitions (Bhatia, 2006, Brookes, 2007, Peng, 2004, Tse, 2016). Although there are both companies, the relationship between MHGs and IHCs is like the connection of multinational enterprises and their diverse subsidiaries. MHGs play as the parent company when IHCs act as the subsidiaries. However, there is a slight difference between subsidiaries and hotel chains since the latter one has central chain management, while the former one is subject to the board of directors directly.

The question may be raised as what the differences between MHGs and IHCs central management. The essential difference is that they play different roles in the operation process of the hotel firms. The international hotel chain's central management has been perceived as the commander charging in one brand like organizational capabilities, knowledge and learning (Ivanova and Ivanov, 2015b). By contrast, MHGs are responsible for leading, supervising, managing and supporting hotel chains (Brookes, 2007). In other words, the central management of hotel chain is like a department manager. However, MHG works like a general manager capturing the direction of hotel corporations. Each of them has its own sphere of competence and different work duties.

It should also be noted that the main difference between MHGs and brand portfolio. The essence of the brand portfolio is a strategic marketing approach (Ivanova et al., 2016) in order to bridge the gap left by different certain boundaries which are confirmed by hotel chains. However, MHGs are essentially organizations or corporations that

utilize different resources in order to produce hotel products. Brand portfolio could be regarded as one of the ways to reach the aim of MHGs, which is making a profit. By utilizing a brand portfolio, the multinational hotel group could concentrate on the big picture (Keller, 2013). The reason is that resources are able to be allocated if the hotel company could take every aspect into consideration, in order to avoid unnecessary overlap and waste of resources. As mentioned above, after the completion of Starwood Hotels & Resorts Worldwide, Marriott, Courtyard and Ritz Carlton brands with Starwood's Sheraton, Westin, W and St. Regis properties are considered as hotel chains, although they all belong to Marriott International. And Marriott International is a multinational hotel group as an aggregative entity of hotel chains. By applying a brand portfolio, Marriott International is able to keep a check on all the 30 brands with a whole perspective and allocate resources reasonably. Moreover, the brand portfolio covers various aspects of the market from luxury to low-end.

2.3 Specific Nature of MHGs

The main reason for MHGs possesses a variety of different names is due to their distinctive features, the combination of multiunit nature, common brand, different types of affiliation and geographical distribution (Bhatia, 2006, Brookes, 2007, Deroos, 2010, Peng, 2004, Tse, 2016). In addition, it is also because that each firm can be perceived from different perspectives, such as resources, activities and stakeholders (Ivanova and Ivanov, 2015b). It is important to point out that these perspectives are perceived as complementary approaches to each other, rather than alternative approaches.

2.3.1 Resource-Based Theory

The resource-based theory (RBT) has been regarded as an effective approach to applying in the field of strategic management for the study of the firms (Barney, 2012, Harrison and Enz, 2005, Silva et al., 2017, Storchevoi, 2015) including MHGs. It explains the reason for the different performances of similar firms (Barney et al., 2007, Silva et al., 2017) and the essence of firms' growth (Barney, 2012). Penrose and Penrose (2009) was one of the first to emphasize that the creation of knowledge could internally drive the corporate to grow up and develop. Drawing on the work of Penrose and Penrose (2009), Barney (2012) highlights the competitive advantages of the firm

are derived from the valuable, rare, imperfectly imitable, and no substitutable resources, that permit clear product or service differentiation. In other words, not all resources can be a source of sustainable competitive advantage. For instance, the basic resources of the InterContinental hotel and Ritz-Carlton hotel are their brands and unique service (Espino-Rodríguez and Padrón-Robaina, 2005), since modern technology (Mowery et al., 1998) makes it not particularly difficult to copy their properties' design details.

Another important element in the RBT was the firm's capabilities or competencies (Grant, 1991). Resources are the fundament of the company operation, while how to use the resources are the key for the growth of the firm. Unlike the static resources which are fixed by the things like patent (Mowery et al., 1998), equipment and location (Aragon - Correa and Leyva - de la Hiz, 2016), an organization's capabilities or competencies implement a dynamic role (Espino-Rodríguez and Padrón-Robaina, 2005, Penrose and Penrose, 2009) which consists of the combination of resources, human resources (Nieves and Quintana, 2018), organizational structure (Chatzoglou et al., 2018, Kelliher and Reinl, 2009, Syssner and Meijer, 2017), knowledge (Shaw and Williams, 2009, Talón-Ballesteros et al., 2018, Walter et al., 2007), regulations, and so forth that allow this firm to do what other firms cannot (Storchevoi, 2015). The resources and capabilities are not only the foundation for competitive advantage but also the basic direction for strategic management.

Based on the RBT, it benefits MHGs to identify the types of resources possessed by the enterprise and the individual property. Moreover, hotel groups are able to allocate resources more efficiently and focus on their main activities or core competencies (Espino-Rodríguez and Padrón-Robaina, 2005). In addition, RBT is widely accepted concerning the international hotel expansion and hotel modal choice (Andreu et al., 2016, Contractor et al., 2003, Dev et al., 2007, Espino-Rodríguez and Padrón-Robaina, 2005) and co-production or co-creation of hotel services (Chathoth et al., 2013). By utilizing this theory, it is clear to see the advantage from the affiliation of the individual hotel and the hotel chain (Chibili, 2017). The independent hotel obtains 'market knowledge, service experience, brand recognition, service quality standards and operating manuals' from the chain (Ivanova et al., 2016). Simultaneously, the hotel chain also gets support from the affiliated hotel ranging from financial resources like franchising fees to knowledge resources like information about local markets.

However, although there are considerable previous research concerns about hotel resources and much attention on the location issues (Andreu et al., 2020a, Camison et al., 2020, Kruesi et al., 2018, Wang et al., 2018a, Xu et al., 2012), most of these research were exploring the influential factors and conducting employing samples that are not actually in charge of these strategic-level decisions. In addition, previous research paid much attention to the entry mode choices in mainland China instead of the specific locational decision-making processes.

2.3.2 Value Chain Theory

It has attracted many concerns about value chains after Porter (1985) firstly pointed out this argument for the analysis of trade and industrial organization, which is used to describe the full range of activities that firms and workers perform to bring a product or service to consumers. These activities can be divided into two parts: the primary and the support activities, which include design, production, marketing, distribution and support to the final consumer (Sako and Zylberberg, 2019). As the name implies, the primary activities are directly connected with the production function of the firm including marketing, inventory control, hotel service products and sales service, while the support activities are forming the basic firm infrastructure ranging from hotel facilities management, human resource management, quality management, hotel culture and procurement (Thomas-Francois et al., 2017).

For traditional manufacturing businesses, value chains are the process of accumulation of the value from design, production, marketing, distribution to after-sales service (Linkov et al., 2020). In other words, the value of the product is created through enterprises' activities in this gradual process. However, compared with the traditional manufacturing businesses, there are visible differences between the hotel industry and the manufacturing industry in the production process and representation form (Johnson and Vanetti, 2005). As far as the customers' concerns, the hotel industry provides them with services products, while the manufacturing industry offers them manufactured goods. It should be noticed that from the value chain perspective, the process of the hotel providing services for customers is another embodiment of the product value. The value of hotel services products is reflected not only in the quality of services like employee attitude, but also in facility equipment and amenity to serve customers (Moreno-Perdigón et al., 2021, Lusch and Vargo, 2014).

The central chain management and the individual affiliated hotel are integrated on the ground of primary activities (Li and Petrick, 2008, Lusch and Vargo, 2006, Lusch and Vargo, 2014, Shaw et al., 2011). During the production process, central chain management is responsible for setting plans and stands while the individual property provides the actual servicing process in accordance with the criteria. Although they share primary activities, like marketing and sales, and after-sale service at different degrees for the particular case, the hotel service products are produced by both the hotel and the chain's central management. That is to say, the products consumed by clients are not only created by the particular hotel but also the combined value of the central hotel management and the property (Thomas-Francois et al., 2017). Generally, support activities are introduced by the central management of hotel chains to the individual property. Technological systems, special human resources politics and administrative services are usually provided by the central chain management to chain members, although each hotel has its own firm infrastructure, human resource management, and procurement system (Ivanova and Ivanov, 2015b). For example, the hotel chain usually owns a characteristic reservation system and accounting system. In order to reach unified management, the central management will generalize these systems to individual affiliated hotels.

Value chain theory has similarities with RBT, especially in the field of the firm's competencies. Both two theories stress the importance of how-to maximum the effect of resources. In fact, results from earlier studies (Barney et al., 2007, Nieves and Quintana, 2018, Silva et al., 2017, Sako and Zylberberg, 2019, Thomas-Francois et al., 2017) have indicated that RBT and value chain, these two approaches are interconnected and complementary to one another. RBT emphasizes the ability of the firm to utilize the rare resources, while value chain theory underlines the activities performed by hotels to achieve advantages in tourism markets. Previous studies on the value chain perspective of MHGs suggested that the chain's competitive advantage stems not only from the resources but also from the activities (Ray et al., 2004, Sako and Zylberberg, 2019, Thomas-Francois et al., 2017). In addition, it also indicates that the market success of MHGs is based on both the contribution of the central chain management and the individual hotel. Although there are large concerns about hotel value chain delivery, most of these researches focus on service products (Thomas-Francois et al., 2017) and company's capabilities (Ray et al., 2004) while few of

previous research paid attention to the relationship between locational issues influence on the value chain framework especially in the emerging markets.

2.3.3 Stakeholder Theory

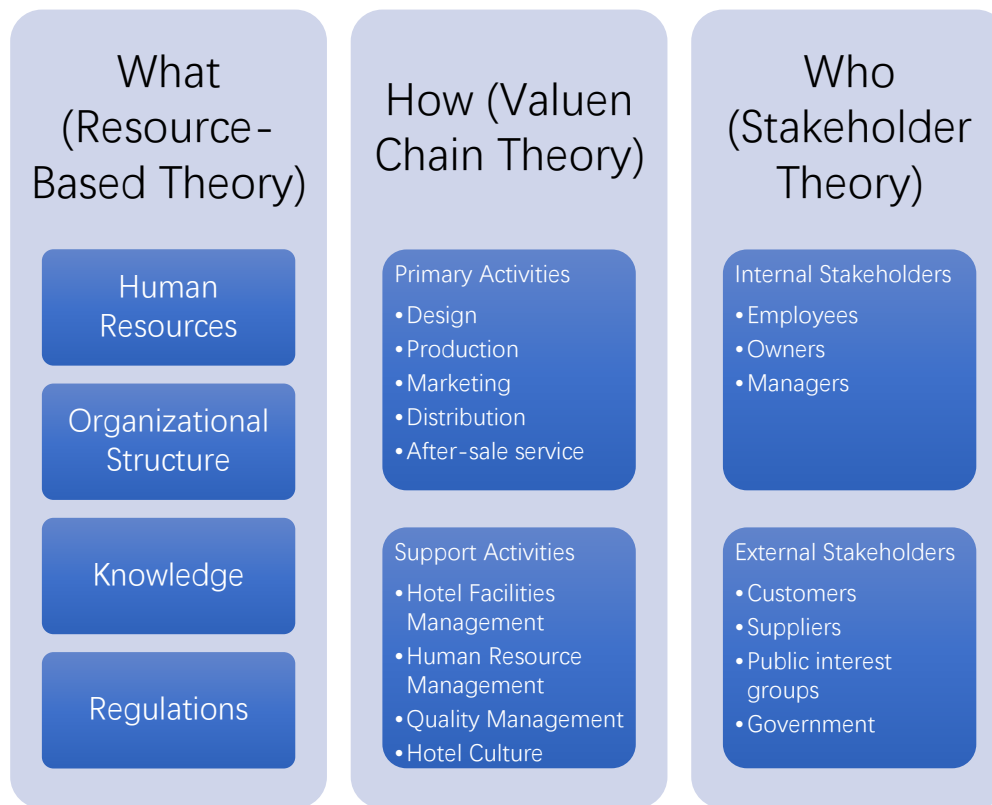
Stakeholder theory plays an important role during the operation of hotel companies including MHGs as stakeholders are able to exert pressure on companies' behaviour (Friedman and Miles, 2002, Shi and Tsai, 2020). In addition, it is an advisable suggestion for the company, without either valuable, rare, inimitable or non-substitutable resources or effective performance of the value chain, could also have a competitive advantage although it might not be sustainable in the long term (Sajjad et al., 2018).

Friedman and Miles (2002) claimed that a stakeholder is "any group or individual who can affect or is affected by the achievement of the firm's objectives". Moreover, Freeman (2010) went even further and defined 'stakeholder theory' as the objectives of the firm. The major objective of the firm is to balance the contradictory goals between various stakeholders (Mitchell et al., 1997). Stakeholders include but do not restrict stockholders, creditors, employees, customers, suppliers, public interest groups and government bodies (Johnson et al., 2005), which could be divided into external and internal two parts according to the distance of connections with the production operation. For example, employees, owners, and managers belong to the internal stakeholders (Harrison and Enz, 2005), while customers, suppliers, public interest groups and government bodies are part of external stakeholders. Furthermore, according to the work of Harrison and Enz (2005), they introduced the three levels of stakeholders in order to cover the relationships between the hotel group and its main stakeholders.

The first level is the chain stakeholders, which include the central chain management and the individual affiliated hotels. The type of affiliation will determine the specific performance of the chain stakeholders. In other words, the different ways to expand of MHGs will result in different relations with the individual affiliated hotels. For example, most affiliated hotels operate as independent organizations are due to the dominant position of management contracts among the affiliation trend (Ivanova and Ivanov, 2015b). The relationship between the central chain management and the individual

hotel is not only influenced by the regulations of the contracts but also by the cultural differences among the origin of the chain and the located country. The second level is the internal stakeholders include the owners, manager and employees. Managers experience pressure from shareholders to maximize the value of the firm at the same time that employees demand the maximum personal interest (Freeman, 2010). More specifically, based on the agency theory, managers act as agents of the owners who are principles for managers, while employees serve as agents of the managers simultaneously and the managers are principles in terms of the employees (Wang et al., 2018b). The interests of the three parties might be in conflict. However, it is the aim of the corporate management that find an appropriate way to meet each party's demands. The third level is the external stakeholders conclude the customers, competitors, suppliers, intermediaries, media, hotel management companies and government bodies. Each of the external stakeholders has an influence on the performance of the MHGs. For instance, it is impossible for hotel groups to take no consideration the customers' demands, especially in the service industry. The functions of media are not the only constraint on the tool to deliver the firm's image to the public but also have an influence on the opinions of customers. Therefore, it is logical for MHGs to consider their impacts when making strategies. More specifically, the external environment is also an important part of this level. According to PESTLE analysis (Johnson et al., 2005) political, economic, social, technological, ecological and legal are six environmental factors which organizations need to consider. These factors are interrelated and mutual influenced and work together as the external force. Stakeholder theory emphasizes the importance of external forces impact on the competitive advantage of MHGs rather than internal resources or activities (Clarkson, 1995).

Figure 5 Different Perspectives of MHGs



Source: Author

As shown in Figure 5, the concept of MHGs can be understood from different perspectives: resources, what it possesses and uses, activities, how it uses these resources, and stakeholders, who work with these resources through the activities (Ivanova et al., 2016, Chibili, 2017).

However, those pioneering studies have several research gaps that limit the theoretical understanding of hotel location selection in mainland China. First, existing studies have examined the role of each stakeholder in the daily operation of hotels (Guix et al., 2018, Sajjad et al., 2018, Shi and Tsai, 2020) but ignored the relationship between these stakeholders and locational selection issues. Second, there are considerable research noticed the influence of the Chinese government on the hospitality industry (Gu et al., 2012, Heung et al., 2008, Pine, 2002) while few of research claimed the specific role of government in the location decision-making process. Third, few studies have explored the influence of real estate investors on the hospitality industry especially the role of land developers.

2.3.4 Game Theory

Previous research has noticed the importance of government in the context of the Chinese hotel industry (Andreu et al., 2010, Andreu et al., 2017, Gross et al., 2013a, Gu et al., 2012, Guillet et al., 2011, Zhang et al., 2005) and also mentioned the necessity to explore the influence of real estate investors (Heung et al., 2008, Ren and Chadee, 2017, Weng, 2014, Xu, 2012). However, there is no general agreement with the specific theoretical framework to guide the hotel locational strategies decision-making process. Game theory might be one of the choices (Baum and Mudambi, 1995, Cachon and Netessine, 2006, Esmaili et al., 2009) to explain the rationale of decision-making process considering the interests of each stakeholder where their choices may influence the decision of others (Myerson, 1992). The framework of game theory is based on multidisciplinary interaction including psychology, politics and sociology (Osborne and Rubinstein, 1994). It is largely applied in the economics area to explain the rationale of economic behaviour (Downs, 1957, Esmaili et al., 2009, Holt and Roth, 2004, Rapoport and Amaldoss, 2000). Game theory involves three fundamental concepts: best response, dominant strategy and Nash equilibrium (more explanations in Chapter 4). Previous studies have explored the possibility of using game theory to explain consumer behaviour in the hotel industry (Wei et al., 2012). In addition, it is also used to analyse the strategy choices of the stakeholders regarding the tourism management department, tourists and tourist destinations (Weng and Li, 2017). Moreover, it has been approved that game theory is effective in the prediction of hotel demands (Xuan et al., 2016) and hotel pricing strategy (Yan, 2014). Despite the functions of game theory and its large application in other industries such as political science and economics, few of the research, however, paid attention to the application of game theory on hotel location issues. This study attempt to use game theory to explain the MHGs' decision-making process of location selection in mainland China.

2.4 The expansion of multinational hotel groups

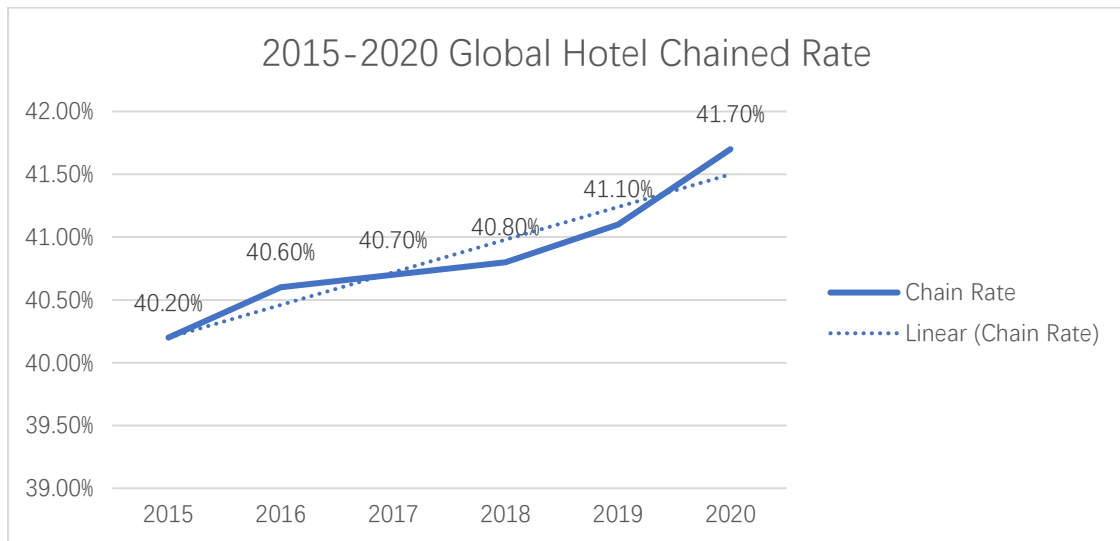
Entry mode choice has been received large concerns since the inception of international research and discussed widely in the hotel industry (Chen and Dimou, 2005, Contractor et al., 2003, Kundu and Contractor, 1999, Pan and David, 2000, Wong et al., 2005,

Yang and Buschman, 2017). This vast body of literature has resulted from the importance of entry mode decisions in the internationalisation process (Kundu and Contractor, 1999, Johnson and Vanetti, 2005). It is also the reason that the choice of entry modes is related to large resource commitment, and perhaps even impossible to change once a firm has entered a foreign market (Altinay and Javalgi, 2007, Zhang et al., 2012). The long term influence of entry mode choice has consequently become the priority strategic decision consideration for MHGs (Kruesi et al., 2018).

It has been a long discussion about which one is the best way for MHGs to enter foreign markets (Alon et al., 2020, Andreu et al., 2020a, Camison et al., 2020, Kruesi et al., 2018, Yang and Buschman, 2017). And a wide range of international market entry modes have been employed by MHGs in the modern hospitality industry such as wholly owned, joint venture, strategic alliance, franchise, management contract and consortia (Andreu et al., 2016). MHGs such as Marriott International Inc. and Hilton Hotels Worldwide have shifted their business strategy from owning to operating properties (Sohn et al., 2013), who are attempting to whittle down properties on their balance sheets to concentrate on the more lucrative and less capital-intensive business of operating properties for fees (Hudson, 2010). Following the management contracts, the seller operates the property and provides the service for the property owner. In return, the owner pays fees for the seller who are the operator now. However, there is still no general agreement on the variables commonly putting forward to determine entry mode choice (Kruesi et al., 2018) as various studies consider different situations (Altinay and Javalgi, 2007, Andreu et al., 2020b, Erramilli, 1990, Ge et al., 2018, Heung et al., 2008) while China is also a specific hotel market.

As seen in Figure 6 below, it shows a strong increasing trend in the global hotel industry that more hotels are coming with affiliation. Traditionally, hotels had to build or purchase properties to enlarge their business, which required them a huge capital investment (Sohn et al., 2013). However, the asset-light business model allows hotel firms to expand with limited capital without the risk of owning properties.

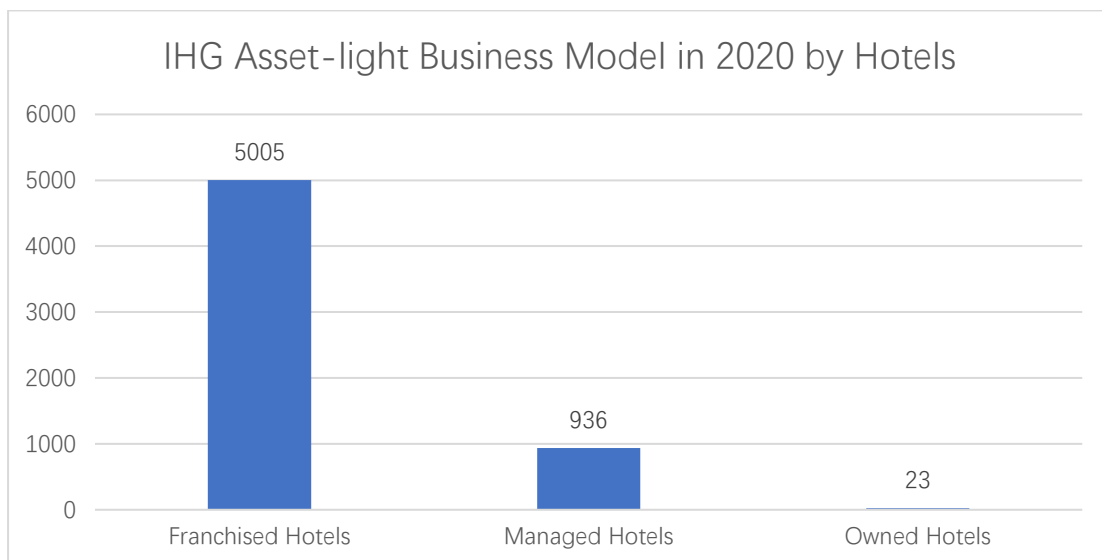
Figure 6 Hotel Chained Rate in the Global Hotel Industry



Source: Adapted from China Hospitality Association (2020a)

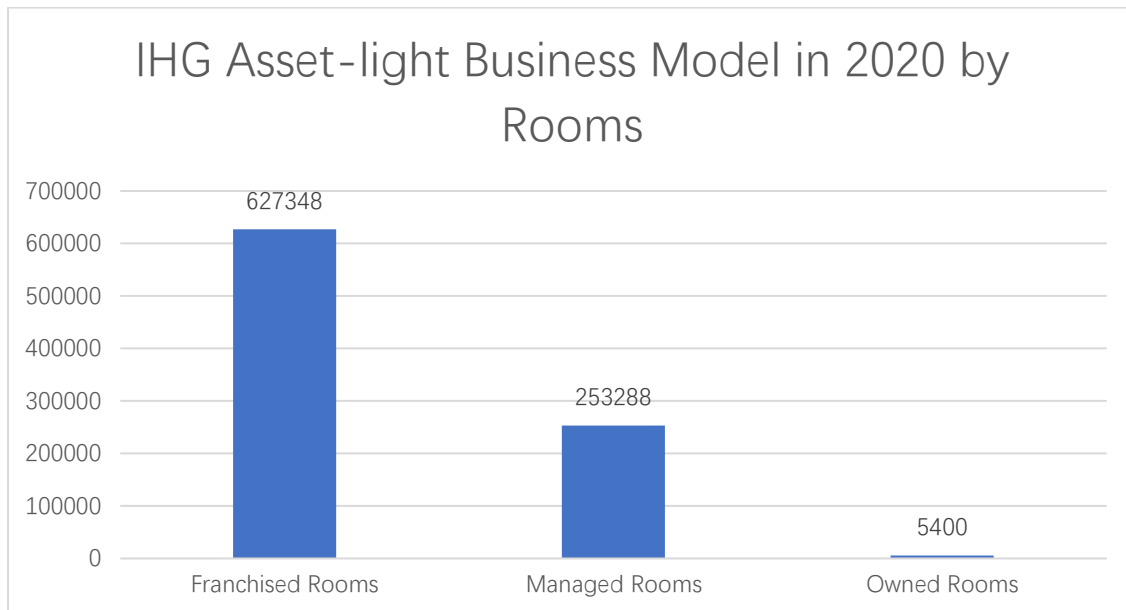
IHG has set a good example on this business model, who predominantly their brands to and manage hotels on behalf of third-part owners (IHG, 2020). Based on Figure 7 and Figure 8, it presents that most IHG hotels and rooms are operated in the franchising mode while only a few of them are owned by IHG itself.

Figure 7 IHG Asset-light Business Model in 2020 by Hotels



Source: Adapted from IHG (2020)

Figure 8 IHG Asset-light Business Model in 2020 by Hotels



Source: Adapted from IHG (2020)

Asset-light models are supposed to deliver a better return on assets, lower profit volatility, greater flexibility, and higher scale-driven cost savings than asset-heavy models (IHG, 2020). Operators can get paid from the property owners for operating hotels and fee income also has less variance than income from operating owned properties (Erramilli et al., 2002, Sohn et al., 2013). Based on the main idea of RBT (Barney et al., 2007, Silva et al., 2017), it claimed that the strategy could help the company to achieve superior performance and profits through the effective and efficient use of its resources (Dev et al., 2007) and being asset-light means lower operating costs and risks caused by high operating leverage (Sohn et al., 2013). It enables hotel firms to focus on their core competencies such as property management skills and human resources across properties. There are, however, potential pitfalls of the asset-light model as well. The aim of turning over ownership is decreasing operational risk, but it is always accompanied by increasing financial risk simultaneously (Hahn, 2020, Mendes, 2021). According to corporate finance theories (Opler and Titman, 1994, Singhal and Zhu, 2013), firms consisting of mostly intangible assets would face higher financial distress costs, and thus lower firm value. Additionally, selling properties means losing control of that property, thus it might be a problem for the firm to maintain identical service quality across properties (Sohn et al., 2013). The hotel industry has normally been regarded as having a higher level of business risk compared to other industries (Alon et al., 2020, Andreu et al., 2016, Dev et al., 2007, Ge et al., 2018), due

to the reasons such as long payoff period for fixed capital investments (Chou et al., 2008) and fierce competition given the scale and level of investments (Godinho et al., 2018b). Therefore, it is advisable for MHGs to choose this strategy according to their own characteristic and specific situation since the performance of hotels is not only based on the internal management or operation but also depended closely on the external environment, for example, the state of the economy (Sohn et al., 2013).

Among the process of internationalization, MHGs acquire significant economic opportunities arising from expanded markets, increased sales and product diversification (Rhou and Singal, 2016). It has been proved that a brand image and reputation is able to form a distinct competitive advantage and has a vital influence on consumers (Keller, 2013). For these reasons, MHGs are inclined to expand their businesses abroad through international hotel chains not only because the benefits of scale economy but also the effect of brand image and reputation (Alon et al., 2020). Simultaneously, the choice of entry mode has been regarded as the most important part of the international strategy (Hollensen, 2020). It has an influence on different aspects of MHGs such as financial problems, human resources and cultural themes. Moreover, the choice of entry mode is the decision requiring considerable deliberation since the impacts are irreversible. It seems to be impossible for rational managers or owners to dismantle the property after entering the foreign market. As each mode has strong implications for its degree of risk, control, the commitment of resources required and potential return on investment (Turner et al., 2016), it is significant to get a comprehensive understanding of the unique characteristics of each entry mode, especially considering the locational strategy issues.

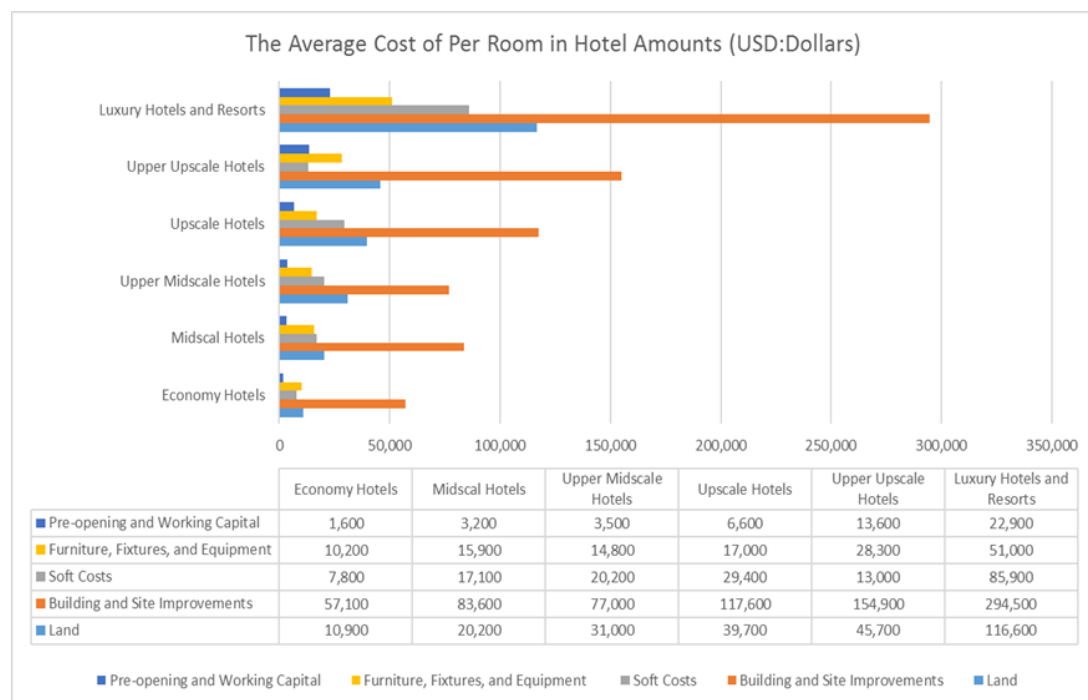
2.4.1 Different ways to expand

Before the analysis of the positive and negative attributes of each entry mode, it is important to realize that the specific feature of the hospitality industry, the production and consumption of lodging services occur simultaneously in the property (Li and Petrick, 2008, Shaw et al., 2011). The constant interaction with the customer and the impossibility to store and transport the service (Andreu et al., 2017), makes it necessary for the firm that has decided to internationalise to have a suitable, significant presence in each foreign market. In other words, the expansion theories of manufacturing may not be applicable to the hotel industry. For example, manufacturing companies focus

on and intend to minimize the distance between the production location and final market in order to avoid extra transport costs (Alonso, 1964). It is, by contrast, not considerable for hotel firms due to their unique characteristic (Kruesi et al., 2018). Furthermore, hotel products are unlike commercial goods, which are not available for storing. It is impossible to store a not sold room for future sale (Nikolskaya et al., 2018). These features highlight the importance of the specific industrial attributes when considering the choice of entry mode (Chen and Dimou, 2005, Ivanova and Ivanov, 2014, Kruesi et al., 2018, Wong and Liu, 2010).

It is widely accepted that the hotel industry is capital intensive reflected by the fixed assets-properties (Li and Petrick, 2008). It takes a large resource commitment to market a property in the start-up process. Based on Figure 9, it shows the average cost of a room in the hotel development conducted by HVS from hotel projects. It illustrates the cost from the five categories: land, building and site improvements, soft costs, furniture fixtures and equipment, and pre-opening and working capital. Importantly, each category requires large capital. As the result, the equity problem has been regarded as the priority when MHGs consider expanding. Based on the capital involvement of the MHGs, the entry modes are categorized as equity entry modes and non-equity entry modes.

Figure 9 The Average Cost of Per Room in Hotel Amounts (USD: Dollars)

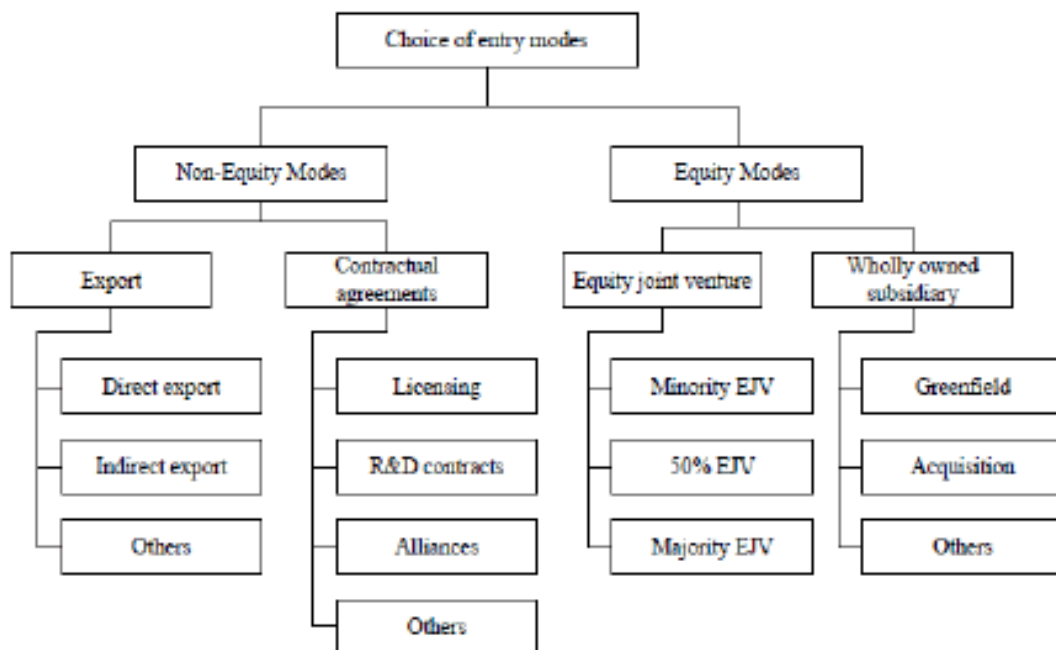


Source: HVS, Adapted from U.S. Hotel Development Cost Survey 2015/16

Although the non-equity modes have been prevalent in the hotel industry, several large MHGs like Hilton and InterContinental always follow a mixed strategy of using both equity and non-equity entry modes depending upon country and context (Hilton, 2020, IHG, 2020, Marriott, 2020, Radisson Hospitality, 2019).

It was suggested by Pan and David (2000) that the hierarchical model conducting existing theory clearly guide the firms to adopt and develop effective entry market strategies (see Figure 10). And it contributes to industrialists with the highlight of choosing the right combination of entry mode and entry timing (Elia et al., 2019, Erramilli et al., 2002). However, this valuable information is limited to construction firms only and lack focus on the service industry (Elia et al., 2019, Hansen et al., 2019).

Figure 10 Choice of Entry Modes



Source: Adapted from A Hierarchical Model Entry Mode Choices (Pan and David, 2000)

2.4.2 Equity entry modes

Equity entry modes include full ownership and joint venture operation (Pan and David, 2000). Full ownership can be further classified as greenfield investments and acquisitions (Rhou and Singal, 2016). The main difference between greenfield

investments and acquisitions is that the former one refers to establishing a completely new property while the latter one deals with taking ownership of existing hotels. Therefore, there are different degrees of control in these two ways of expanding. A newly constructed property through greenfield investment is entirely controlled and monitored by the parent firm. However, it should be noted that full ownership requires more time and effort at the initial stage, which is related to higher risk for the operators (Giachetti and Pephrah, 2020, Tulung, 2017). As a result of this weakness, it is logical to adopt the other one, acquisition, as a strategy for expansion in a relatively short time (Zhang et al., 2019). The acquisition is an efficient approach to help the acquiring firm to become more competitive in the market, especially with the acquisition of a well-running company (Hitt et al., 2012). Although mergers and acquisitions can promote the development of enterprise and deliver certain competitive advantages, the process is complex and complicated. The diverse cultures, various organisations, and multiple management structures are all involved in the process and form into a great barrier to hinder an immediate return on investment (Chen, 2019, Johnson et al., 2005).

The joint venture is another strategy for entering a foreign market, which functions by combining two or more firms based on the same goals and sharing key resources (Durmuş-Özdemir et al., 2017, Giannoukou, 2017). The most prominent feature of the joint venture is flexible that each of the parties is only responsible for certain components of the collaboration (Johnson et al., 2005). In other words, the participants in the joint venture do not need to be fully merged in this business. Accordingly, the risk of this entry mode is relatively limited since there is a low level of capital requirements. Moreover, it is a mutually beneficial strategy for each side since the participants can take advantage of greater resources on both local and national levels. The major disadvantage of the joint venture is the inherent ambiguity of who is in charge of operations (Reuer et al., 2014). Given the special characteristic of the joint venture, it is obvious that there is no clear and bright dividing line between each party's responsibilities, which will lead to possible conflicts in goals, cultures, management styles and so on (Ivanova et al., 2016).

Depending on the merits and demerits, equity entry modes play a critical role in the expansion of MHGs. It provides hotel companies with opportunities to strengthen competitive competence and allows hotel companies to retain high control over operations, compared with non-equity entry modes including franchising, licensing and

management contracts. Obviously, ‘the more control firms have, the higher the level of capital requirements, time and effort that are needed to generate desired outcomes’ (Brown et al., 2003, Rodríguez, 2002). However, as an expanding way, the drawback of low efficiency has been magnified in such a world where pursuing efficiency at first (Rhou and Singal, 2016). Due to the high requirement of capital, entering firms have limited reactions to the fluctuating market conditions (Singhal and Zhu, 2013). A large amount of capital is stored as the real estate (properties) which also has the influence on the capital chain (Singal, 2015). In order to avoid the risks generated from the equity entry modes, MHGs have to consider another way, non-equity entry modes, to expand.

2.4.3 Non-equity entry modes

Non-equity entry modes present more effective in the use of the funds than equity entry modes (Khan, 2016). Unlike most other service sectors, the hotel industry is generally capital-intensive, which has been regarded as a big obstacle for hotel companies using an equity-based expansion model in various markets, especially in the international market (Alon et al., 2012). Hotel chains as the unit of MHGs are more likely to employ non-equity forms of organization for international expansion and operations rather than equity entry modes mainly due to cost-efficiency concerns. Non-equity entry modes include franchising, management contracts and marketing consortium. The main difference between equity and non-equity entry modes is that the former lead to a foreign entrant’s financial investment while the latter is essentially a contractual mode (Erramilli et al., 2002). For MHGs with an established network of wholly owned properties, the cost of extending distribution systems becomes marginal. It is the reason making franchising a potentially more cost-effective method of business expansion than acquisition or organic growth.

2.4.3.1 Franchising

Franchising has become the most prevalent way in the distribution of goods and services globally (Andreu et al., 2016, Camison et al., 2020, Elia et al., 2019, Ge et al., 2018, Shen et al., 2017). It can be described as a business relationship whereby a franchisor gives the right or privilege to an individual or a group (franchisee) to use its brand name, product or system of business in a specified and in return for a fee (Johnson et al., 2005). According to previous research (Alon et al., 2020, IFA, 2020, Fladmoe-

Lindquist, 1996), franchising is defined as a method “where the franchisor extends business know-how, intellectual rights and the right to operate in the name of a brand for consideration to the franchisee”.

Much of the research on international franchising in the hotel sector have analysed the advantages and risks of this expansion form (Andreu et al., 2020b, Brown et al., 2003, Ge et al., 2018, Heung et al., 2008, Khan, 2016, Kruesi et al., 2018). As Alon et al. (2020) summarized, on the one hand, it shows that there are fewer financial resources required in this operation. In addition, raw materials can be produced internally which promotes efficiency and cost savings. Moreover, the less susceptibility to political, economic and cultural risks has improved the franchisors’ adaption of the new market since the franchisees are more familiar with local laws, language, culture, business norms and practices (Heung et al., 2008). On the other hand, it has possible difficulties in repatriating royalties, protecting copyright and intellectual property, policing quality standards, understanding laws, regulations, language and business norms and servicing franchisees, terminating contracts and local limitations.

Altinay and Miles (2006) have identified three primary motivations for franchising. Firstly, financial capital, market knowledge and human capital, these three fundamental resources for a growth-oriented company, are prone to be collected. Secondly, franchising facilitates the formation of a variety of scale economies. Thirdly, franchising is applied to answer the question of the principal-agent, agency theory, since it eliminates the shrinking problem often related to principal-agent relationships. By combining the incentives of the agent (franchisee) and the principal (the franchisor), franchising achieves reduce monitoring needs (Wang et al., 2018b). It should be noted that the monitoring costs are normally high and the distance probably separates the principal from the agent (Dogru and Sirakaya-Turk, 2018). However, it does not mean there is no need for monitoring. Instead, hotel franchising has its own set of monitoring needs. For instance, intangible assets may be appropriated without monitoring, income can be misreported without auditing, and quality can deteriorate in the absence of controls (Alon et al., 2020). Agency theory is a dominant paradigm to explain franchising (Baker and Dant, 2008), which states that an agency relationship exists between a franchisor (the principal) and the franchisee (the agent). Possible conflicts might be happened between these two parties due to the divergent goals (Guix et al., 2018, Mitchell et al., 1997). As the result, agency costs arise along with the risk of

opportunism. Indeed, principals can reduce agency costs and opportunism through direct observation and monitoring or a system of aligned incentives. Monitoring is inherently a key factor for successful franchising, especially if there are diverse cultures, multiple management centres when the expansion crossing borders.

2.4.3.2 Management contract

Management contract is another one of the non-equity entry modes, which has been perceived as a popular approach to attracting increased investment into the hotel industry (Turner et al., 2016). It is defined as ‘a written agreement between the owner of a hotel and an operator, by which the operator is appointed to operate and manage the hotel in the name, on behalf of and for the account of the owner and the operator is to receive a management fee in return’ (Hodari et al., 2017). By applying management contracts, it separates the right of ownership and management (Sohn et al., 2013). More specifically, it enables a hotel owner to retain legal ownership of a hotel property, while the hotel chain (operator) is responsible for the daily business of the hotel (Chibili, 2017). Therefore, the owner has to take risks associated with ownership of the commercial asset and the hotel chain is only responsible for the operation of the hotel (Hodari et al., 2017).

The advantages of this entry mode are that on the one hand, it opens the door for owners who have little to no interest or ability in daily operations but is demanding to operate a hotel (Hodari et al., 2017, Qi, 2018, Turner, 2017). In addition, it paves the way for receiving funds from bankers and lenders since the services of hotel chains can be taken as a guarantee (Turner, 2017). As a result, it will be easier to form scale economies, which is also beneficial for owners to reduce operational expenses through better volume discounts from vendors (Giachetti and Peprah, 2020). On the other hand, it also benefits hotel chains. The direct outcome is that hotel chains can achieve a rapid expansion at a relatively low cost since it requires few investments in the hotels operated through management agreements (Deroos, 2010). It also means that hotel chains usually face no real-estate risk and little downside risk (Turner et al., 2016). Moreover, financial support will be provided to hotel chains as they offer the services through management contracts.

However, the ‘horizon problem’ might be raised through this entry mode (Abernethy et al., 2019, Dogru and Sirakaya-Turk, 2018, Wang et al., 2018b) due to the different

goals and time horizons of hotel owners and hotel chains (Hodari et al., 2017). It is possible to deduce that hotel chains have more interest in achieving short-term cash flows, which will directly influence the acquirement of management fees, while hotel owners pay close attention to sustaining long-term associated with the value of their real-estate (Xu et al., 2012). Hotel chains have their own targets on increasing management fees, the value of their brand and the longevity of management contracts in order to seek the new contracts and raise the number of rooms under their brand (Baker and Dant, 2008). By contrast, owners only focus on the increasing value of their assets and tend to minimize the management fees. Importantly, it is only a theoretical concept that two sides can achieve a complete unanimous goal because the extent of goal alignment can rest on many major negotiation points (Turner et al., 2016). Despite these challenges, management contracts offer an efficient way for both owners and operators.

2.4.3.3 Marketing consortium

Marketing consortium as one of the efforts concerning the presentation of products to consumers has been adapted by contemporary hotels to solve the problem of rapidly changing market. It has been perceived as one of the most effective ways for self-marketing of independent and affiliated hotels (Morrison, 1998, Ivanova et al., 2016). The reason is that the marketing consortium provides not only independence and autonomy, but also the benefits of chains for hotels (Holverson and Revaz, 2006). As for those independent hotels which are desired to pursue individual styles or which cannot easily adapt to the product characteristics of other marketing, joining a hotel marketing consortium can achieve the benefits of marketing (Smaranda and Cristina, 2012, Cosma Smaranda et al., 2016). The members of hotel marketing consortia are mostly thought to consist primarily of independent hotels.

According to Litteljohn (1982), a hotel marketing consortium is defined as ‘organizations 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 centralized office, whose activities will be financed through a levy/subscription on the member hotel units’. In other words, the members of a hotel consortium satisfy common needs (Enz, 2010) or fulfil common goals (Knowles, 1996). Additionally,

consortium consist of independent hotels that targeted the same market, while each of them is completely independent financially (Holloway & Plant, 1993).

Reservation services and determined standards are the most important elements in the hotel marketing consortium (Ayazlar, 2016). It is also one of the differences between affiliation and consortium, which are inherently types of hotel chain structure. There are few rules on a hotel marketing consortium and its member hotels work for particular goals. However, hotels with affiliations only partly use the same name, whereas, for example, a Best Western hotel always uses that same brand name. Although a hotel marketing consortium always uses a well-known trademark for purchasing, training and marketing, it conserves each member's individuality without standardization of the products and offers benefits similar to franchises (Ayazlar, 2016).

There are problems that hotels have to face in hotel marketing consortium. First, although it offers opportunities to members in different forms and sizes, hotels are often referring to different specific problems as each hotel has its own targets and goals (Hudson, 2010). It is difficult to arrange the single standard into different markets (Keller, 2013). Second, customers have diverse preferences in different markets (Hollensen, 2020), which is hard for hotels in marketing consortium to improve the service quality (Shaw et al., 2011). Third, laws in different countries especially the differences between developed and developing markets regulate the business from different perspectives (Hollensen, 2020). As a result, the hotel marketing consortium is necessary to take this problem into consideration.

2.5 The expansion of MHGs in China

It has been a dramatic change among the hotel industry in China as the increasing number of tourists since the open-door policy was introduced in 1978 (Guillet et al., 2011) where there were less than 1,000 hotels (Andreu et al., 2017). However, the development of the hospitality industry has experienced an attractive increase with annual growth rates around 20% since 1988, the year when the star rating system was established (Gu et al., 2012). According to the data released by China National Tourism Administration (CNTA), the Chinese hospitality industry has grown rapidly from a small number of 137 hotels only in 1978 to 12619 in 2016 (China Star Hotel Statistics Bulletin 2016). The hospitality industry is one of the forerunners in economic

development in China (Zhang et al., 2012). Based on the data launched by IHG, China is expected to catch up with and surpass the United States by 2025 reaching 6.1 million hotel rooms (Yang, 2011). Over the last two decades, MHGs such as Starwood, Hilton, Marriot, IHG, Kempinski, and Four Seasons have simultaneously made a long-term strategy aiming for the large expansion on the significant hotel development pipeline in China (Hardingham, 2012). It appears almost every MHG is placing an increased emphasis on their expansion efforts in China (Andreu et al., 2016, Gross et al., 2013a, Heung et al., 2008).

2.5.1 Typical features of the Chinese hotel industry

Understanding the behaviour of MHGs is not possible without perceiving the political and economic environment of the local market. Service and culture have a fundamental and inextricable link with each other (Lusch and Vargo, 2006) Therefore, it is significant to realize the unique features of the Chinese hotel industry involving the expansion of MHGs in China.

2.5.1.1 The role of government

Date back to the first joint venture hotel established in Beijing named the Jianguo Hotel in 1982 (Andreu et al., 2010). It was opened under a management contract agreement with the Hong Kong Peninsula Hotel Group. This is the beginning of the modern hotel industry in China, which symbolized the international hotel chain entry into China. Moreover, the hotel industry was also among the first industries receiving FDI in China (Gross et al., 2013a) and have benefited from first mover status as the pioneers of inbound FDI in the early 1980s (Pine and Qi, 2003). The Chinese hotel industry has grown rapidly since this first international hotel joint venture (Andreu et al., 2010, Gross et al., 2013a).

Actually, the commercial forms of the hotel have existed since ancient times in China, e.g. ‘Ke Zhan’ (roadhouse) and ‘Lv Guan’ (inn). The number and size of hotels, both state-owned and private, had a significant development even in the Sui (581-618 AD) and Tang (618-907 AD) dynasties that far surpassed any previous period (Xu, 2012). Additionally, this long history provides long established modes of practice, patterns of commercial hospitality and practices of food service for the modern hospitality industry,

which are being rediscovered and modified to meet the needs of the 21st century (Gu et al., 2012). These hotels are able to provide fundamental facilities and services but in a very simple way. The majority of customers of ancient hotels are mail coaches, diplomatists and scholars, due to the slow conveyance when using horses as the main means of transportation.

The current form of the Chinese hotel industry has been shaped through three milestones from 1949 to now (Zhang et al., 2005). The establishment of the People's Republic is the first milestone for the Chinese hotel industry (Gross et al., 2013a). With the advent of communist rule, the planned economy was introduced into society. More importantly, the country focused more on heavy industry. Although China's total industrial production had a slight increase, there was low production efficiency and a waste of resources due to the misallocation (Pine and Qi, 2003). Therefore, tourism and hotel had a limited development during this era.

The second is the initiation of the 'Open Door' policy in 1978, which is an ongoing economic and social reform (Gross et al., 2013a) with a consistent effect on nowadays China. This policy broke the environment of isolation and brought China along with the world, by inviting foreign direct investment and tourists (Zhang et al., 2005). Consequently, the country's tourism industry and hotel industry both experienced a rapid expansion.

The third one is 2001, because China reached an agreement with World Trade Organization (WTO) to join this international trade organization. China's state-owned hotels were used to be the domain in the hotel industry (Heung et al., 2008). After the entrance into WTO, they faced unprecedented challenges from the fierce global competition (Tang et al., 2006). The pressure not only derived from the booming domestic demand, but also stem from the fierce competition in international markets, since the membership in WTO requires less government control in the hotel industry among the competition with foreign companies (Pine, 2002). As a result, China hotels started to emphasize strategy and performance. However, it does not mean that MHGs is free from the bureaucratic regulations now after China's entrance of WTO (Gross et al., 2013a). In other words, the government still plays a significant role in the Chinese hotel industry. However, although there are large pervious noticed the influence of the Chinese government on the hotel industry (Andreu et al., 2010, Gross et al., 2013a, Gu

et al., 2012, Hardingham, 2012, Pine, 2002, Xu, 2012), few of them gave the details of the influence of government and sometimes even exaggerate the function of government.

State-owned hotel is one of the characteristics among this course of Chinese hotel history and has been regarded as one of the means of intervention from the Chinese government (Chen et al., 2018, Gross et al., 2017, Zhang, 2019). In regard to the ownership structure of the hotels, according to the data released by the Ministry of Culture and Tourism of the People’s Republic of China (2020), state-owned hotels still occupied more than one-third of the Chinese hotel market (34.07%), followed by 30.38% privately owned and other ownership structures respectively (including joint ventures and foreign-owned enterprises) (see Table 2-3).

Table 4 Hotel Ownership in China, 2019

Hotel Ownership in China 2019 by Star-rated						
Ownership	5 Star	4 Star	3 Star	2 Star	1 Star	Total
State Owned	141	556	893	277	5	1872
Collective	7	31	126	52	4	220
Shareholding	7	52	111	24	0	194
Cooperative	4	10	14	10	0	38
Alliance	4	3	8	3	0	18
Limited Liability	108	277	415	69	0	869
Limited Liability Shares	51	192	306	62	3	614
Private Owned	68	249	916	421	15	1669

Source: Ministry of Culture and Tourism of the People’s Republic of China (2020)

State-owned hotels are hotel properties owned and managed by various government statutory bodies (Heung et al., 2008). However, hotels in China managed by MHGs have higher profitability than those operated by national companies (Pine and Qi, 2003). Wei (2004) stated that there are three abnormal phenomena among state-owned hotels established in the socialist market economic system. The first one is that the economic benefits are not the primary mission for some state-owned hotels (Wei, 2004). To a great extent, State-owned hotels are frequently regarded as reception places or training centres rather than generating profit (Heung et al., 2008). The second one is that even the state-owned hotels are bankrupted, they would not exit the market (Wei, 2004). Instead, they would probably change the owners or investors but still kept their hotel functions. In other words, state-owned hotels will keep working no matter what the

business environment was. Consequently, the number of hotels is raising consistently. The third one is that the purpose of building hotels is largely depending on the matter of face, which is for the setting up of the city ‘opening-up’ image (Zhang, 2019). In other words, building a hotel is not the demand from the tourism market but from the command of the government.

2.5.1.2 The Role of Guanxi

Guanxi, a Chinese word, means the influential relationships that are able to facilitate business and other dealings. “As a Chinese saying goes, it is not important what you know, but who you know” (Heung et al., 2008). It is important to understand Guanxi for foreign hotel companies when they enter the Chinese hotel market (Hardingham, 2012). Because business in China is typically done through personal relationships and networking. It will be much easier if there is a right Guanxi or “who you know up there” in the business trade (Heung et al., 2008).

Among the social network, the relationship with the government is regarded as the most important thing (Wang et al., 2020a). Historically, the most notable feature of the hotel industry during the history in China is that government, both national and provincial, continues to control the route, shape the market and master the direction (Heung et al., 2008). China’s government has been considered as a core growth engine to the development of hotel industry by implementing Five-Year Plan and encouraging direct investment in tourism real estate (Andreu et al., 2010, Gross et al., 2013a, Wang et al., 2020a). The government takes the control of the whole sector through state-owned hotels (Chen et al., 2018, Harrison et al., 2019, Zhang, 2019), which is still a big part of Chinese hotel industry as mentioned in last section. Moreover, local governments cooperate with the real estate developers (most of them are even state-owned enterprises) and make planning and construction to attract FDI. With the support from the country, e.g. the stability of China’s politics and society, as well as the exchange rate of the RMB with foreign currencies and the comparatively low price of China’s labour (Heung et al., 2008), the Chinese government has created a good business environment. Previous research has confirmed Guanxi’s significant impact on individual and organisational outcomes such as effectiveness of leadership (Chen and Tjosvold, 2006), work performance (Weng, 2014), self-development (Ren and Chadee, 2017) and service performance (Moreno-Perdigón et al., 2021). In addition, there are also large concerns

about the influence of Guanxi on the development of hotel industry (Deng et al., 2019, Gross et al., 2013a, Tang et al., 2006, Wang et al., 2020a). However, the influence of Guanxi on the locational decision making process of MHGs still remains unclear, especially the role of stakeholders among location strategies formulation in China has not been investigated.

2.5.1.3 The role of Feng Shui

It is impossible to establish a new hotel in China without considering ‘Feng Shui’ (literally meaning ‘wind and water’), which is defined as “a method for inspecting and keeping in harmonious Chi” (Chang, 2009). It is a traditional custom for Chinese people, especially in Hong Kong and Taiwan, who believe that Feng Shui is able to bring good fortune and health to their daily life (Lin, 2017, Pratt and Kwan, 2019). In addition, it has a significant influence on Chinese business behaviour (Xu, 1998, Tsang, 2004b). The survey conducted by Tsang (2004a) revealed that around 70 percentage of Chinese business people took Feng Shui into consideration as an efficient way to enhance business performance.

Chi is perceived as a matter-energy, vital-force or material force in Chinese culture (Chang, 2009). Because the ancient Chinese believed that humans are able to control the heavenly Chi and earthly Chi and keep the balance of them to reach the harmony of Chi. According to Feng Shui principles cited in Lee (1986), ‘the site of human dwellings must be located at a place where the heavenly Chi and earthly Chi are in constant interaction and in harmony with each other---the place where the Chi is primarily accumulated. Therefore, the Chinese believe that Feng Shui affects the fate of the habitant though both the physical and mental health.

Feng Shui is originally used to promote environmental harmony as the characteristic of Chinese culture, which aims at a balance between ‘human activities, nature, and the supernatural’ (Pratt and Kwan, 2019). Moreover, Feng Shui also influences Chinese people selecting favourable locations for dwellings, both for the living and the dead (Lee, 1986). Most of western countries consider Feng Shui as an outdated superstition (Pratt and Kwan, 2019), while it remains a significant influence on Chinese corporate behaviour (Lin, 2017). The essence of Feng Shui is a traditional Chinese design art and theory focused on establishing living spaces that are in harmony with the environment (Lee, 1986). Moreover, Feng Shui has spread to the Asian-Pacific region, including

Japan, Malaysia, Singapore, Philippines, Vietnam, Thailand and Malaysia (Lin, 2017). Nevertheless, Asia-Pacific is the fastest growing region of the world and occupies more than 60 per cent of the world's population.

Feng Shui has an impact on not only the architectural designs and office layouts (Gray & Balmer, 1998; O'Connor, 1988) but also the corporate names, brand names and business logos (Lip, 1989; Schmitt & Pan, 1994). Furthermore, many hotels omit the thirteenth floor (Jahoda, 1969) and many airlines, such as Continental, KLM and Air France, remove the thirteenth row (Grossman, 2005). However, the most consideration of Feng Shui for a hotel is location. Those who believe in Feng Shui think that if the hotel is located in a place where is a harmonious heavenly Chi and earthly Chi, they would be pleased to visit the hotel more than once. Therefore, it is reasonable for hotel managers to respect this tradition to please their guests (Poulston & Bennett, 2012). However, as it is clearly shown in this section, most of these literatures are historically out of date and essentially needs to keep pace with the times. It still remains unclear that how to apply Feng Shui in the hotel property location selection in order to avoid dissatisfaction from the local culture.

2.5.2 The current situation of MHGs in China

Following the step of the Hong Kong Peninsula Hotel Group made a joint venture with Jianguo Hotel, the first multinational hotel chain in China (Heung et al., 2008), many MHGs including but not limited to the Accor Hotel Group, Intercontinental Hotel Group, Marriott Hotel Group, and Shangri-la Hotel Group have chosen to take part in this potential market and helped the rapid development of China's hotel industry (Guillet et al., 2011). Management contracts and joint ventures are the initially favoured ways for MHGs when they entered the Chinese market last century (Gu et al., 2012), for example, Jianguo Hotel. Afterwards, management contracts had gradually become the most prevalent approach to operate the upscale and luxury hotels for MHGs entering the Chinese market (Xu, 2012). Additionally, Gu et al. (2012) pointed out that, by 1991, 202 hotels were counted as joint venture hotel projects with overseas investors while 215 hotels were reported under international management contracts. It is easy to find luxury brands such as Four Seasons, Ritz-Carlton, and Shangri-La in major metropolises, for instance, Shanghai, Beijing and Guangzhou (Hardingham, 2012). In addition, both Chinese upscale and mid-market segments have been captured by those

MHG, such as Marriott International, InterContinental, Accor, Hyatt, Hilton etc. as the priority of work. They continue to expand in first and secondary tier cities and other tourist destinations (Hilton, 2020, IHG, 2020, Marriott, 2020). Market opportunities for budget and mid-market segments for the growing numbers of Chinese domestic tourists also attracted Wyndham to expand operations in China (Wyndham Hotels & Resorts, 2020).

It has experienced a rapid development since 2008 (Beijing Olympic Games) (Andreu et al., 2010, Andreu et al., 2017, Gross et al., 2017) which a range of MHGs have accelerated their expansion in China including Wyndham Hotel Group, who always possessed the largest hotel properties and rooms for almost a decade in Chinese hotel market until OYO Rooms surpassed them in 2020 (see Table 2-4). In addition, IHG has also raised its properties in China from 84 in 2008 to 517 in 2020 (IHG, 2020). Hotel brands like Crown Plaza Hotels, Holiday Inn Express, Holiday Inn and InterContinental Hotels and Resorts are various from low-end to the high-end market.

Table 5 Top 10 Largest Foreign Hotel Brands in China 2020

Top 10 Largest Foreign Hotel Brands in China				
Rank	Brand	Parent Group	Rooms	Hotels
1	OYO Rooms	Oyo Hotels & Homes	114585	3191
2	Super 8	Wyndham Hotel Group	73619	1217
3	Crown Plaza Hotels	InterContinental Hotel Group	37916	159
4	Holiday Inn Express	InterContinental Hotel Group	36938	180
5	Holiday Inn	InterContinental Hotel Group	29751	105
6	Sheraton	Marriott International	26670	78
7	Ramada	Wyndham Hotel Group	25960	114
8	Howard Johnson	Wyndham Hotel Group	25804	71

9	InterContinental Hotels & Resorts	InterContinental Hotel Group	24601	107
10	Shangri-La	Shangri-La Hotels and Resorts	21263	48

Source: China Hospitality Association (2020b)

Oyo hotel group has covered over 800 cities in 80 countries and increased with a strong impelling power operating more than 450,000 properties (Rawat and Semwal, 2020). Although it suffered a halt during the pandemic explosion, 70% of Oyo hotels in China are operational during the middle of 2020 (Dash, 2020). Despite the development of Oyo in China and the standardisation of their business model, it proves that the Chinese hotel market attracting more MHGs coming.

The scope and market penetration by MHGs were actually far reaching during the first decade of 2000, especially in the first-tier cities such as Shanghai, Beijing and Guangzhou (Gu et al., 2012). They also need to face the challenge from the Chinese hotel industry, which has become more competitive partly because of the support from the government (Zhang et al., 2005), especially where the local industry was able to borrow money from the state running banks with cheaper credit (Heung et al., 2008). Nevertheless, the challenge also comes from the spillover effect from international companies to host firms owned and managed by these MHGs (Gu et al., 2012). It is possible to say that although the advent of MHGs in China has promoted the growth of the Chinese hotel industry, it also generates a fiercer competition between each other than would have been the case in their absence. Due to the nearly saturated market in the east coastal cities like Shanghai of China (Gross and Huang, 2011), the MHGs, which have already acquired knowledge of Chinese practices and demand patterns by establishing properties in these cities, began to expand their business in the interior cities (Yang et al., 2017). Nevertheless, the price of labour has increased in recent years due to the rapid development of the economy. It has been reported that the annual salary increase rate for employees in China is 6.7% while the average turnover rate is 20.8% with the voluntary turnover rate at 14.9% and the involuntary turnover rate at 5.9% (HR IN ASIA, 2016).

It is clearly presented in Figure 11 below, the average salary in east coastal cities or the first-tier cities such as Beijing, Shanghai, Shenzhen, Hangzhou and Guangzhou are

ahead of the group of cities which most of them are the provincial capitals, like Nanjing, Chengdu and Wuhan, and municipalities directly under the central government such as Shanghai, Chongqing and Tianjin. However, the gap in average salary between these cities can reach approximately 8000 yuan.

Figure 11 Average Wage in Major Cities in China 2019



Source: Adapted from Statista (2020d)

It means that MHGs have to consider more cost than before if they intend to expand their business in east coastal of China. Controlling labour costs in the hotel business is essential to the success or failure of the establishment (Singh, 2014). It is pointed out by many researchers (Simpao, 2018, Singh, 2014) that labour costs account for very high percentage of operating costs in the hospitality industry, which can peak at around 45%. However, labour productivity has remained unclear despite the increasing labour costs in the hotel industry as the quality of services may vary on different factors such as the length and environment of stay (Simpao, 2018, Zhong et al., 2020). Therefore, it is necessary to take the labour price into consideration when MHGs attempt to have a further expansion in China.

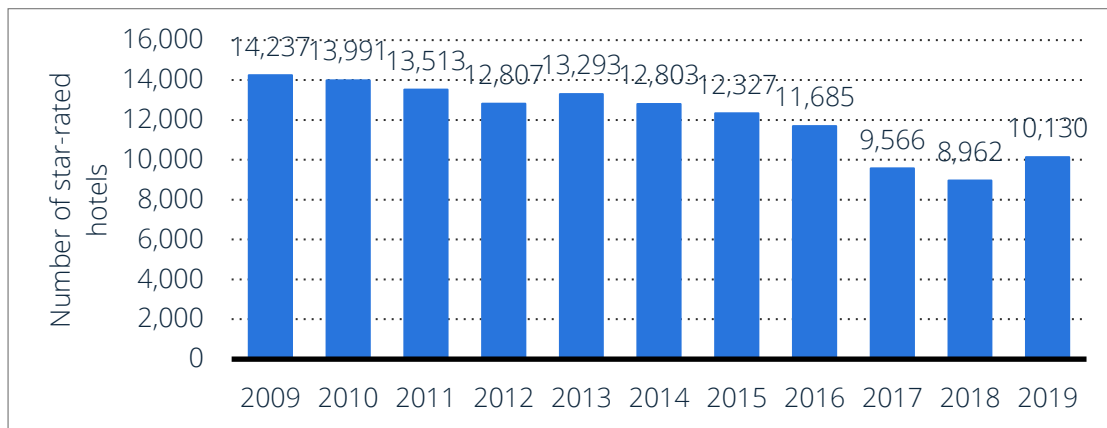
2.5.3 The current situation of Chinese MHGs

The hotel industry in China has experienced an unprecedented period of rapid development with the increasing speed of growth (Andreu et al., 2010, Gu et al., 2012,

Heung et al., 2008, Wang et al., 2020a, Yang et al., 2017, Zhang et al., 2012). The development of Chinese hospitality industry has mirrored the achievement in Gross Domestic Product (GDP), which has attained the position of the world's second largest economy (Gu et al., 2012). This unprecedented period has witnessed the unbelievable economic growth with double-digit annual growth and created a new middle class with aspirations similar to those of developed countries (Zeng and Ryan, 2012).

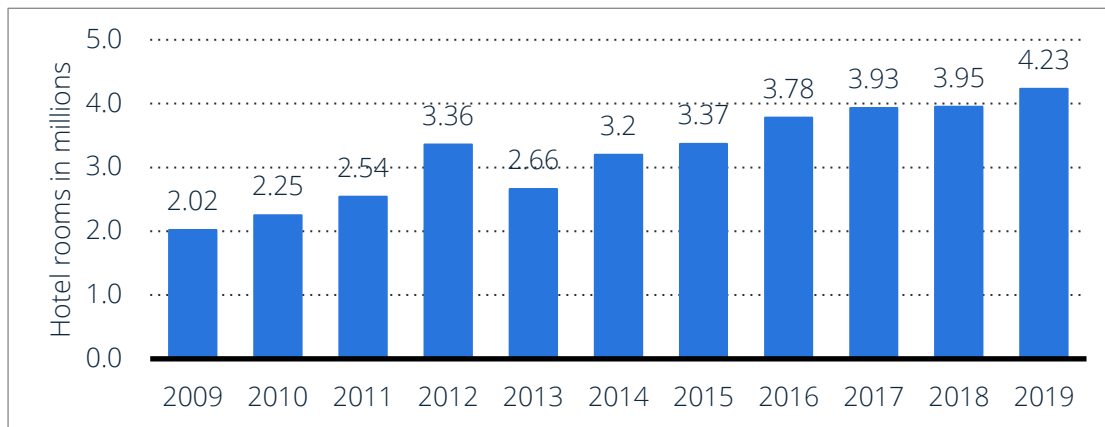
As shown in Figure 12, it clearly shows that the number of Star-rated hotels in China has experienced a gradual decrease from 2009 to 2018 while representing a strong rebound increase trend in 2019. On the contrary, the number of hotel rooms have almost doubled during this decade from 2.02 million to 4.23 million rooms in 2019 (see Figure 13).

Figure 12 Number of Star-rated Hotels in China



Source: Statista (2020c)

Figure 13 Number of Hotel Rooms from 2009 to 2019 in China (in millions)



Source: Statista (2020c)

Although the internationalisation of Chinese MHGs still remains in an early stage (Andreu et al., 2017) when compared with the expansion process of large hotel multinationals in China, they play a crucial role in the development of the hotel industry. Chinese MHGs has attracted some scholars' attention (Andreu et al., 2010, Gross et al., 2013a, Guillet et al., 2011, Wang et al., 2020a, Yang et al., 2017) due to their rapid growth in the last few years.

For example, after the completion of merger and acquisition with Planteno Hotel Group and Vienna Hotel Group sequentially (Gross et al., 2017), Jin Jiang Hotel Group has reached the second-biggest hotel company in 2020 according to the data released by Hospitality On (Table 1). However, the internationalisation rate of the most important Chinese MHG remains very low if it compares with the rest of the top 10 MHGs in the world, such as Marriott International or Best Western. In addition, there is a phenomenon that most Chinese MHGs prefer to settle subsidiaries in Asian countries. For instance, it clearly presents that Indonesia is the most prevalent country for Chinese

MHG's to invest based on the data from Figure 14.

Figure 14 Top 10 Destinations of Chinese MHGs abroad

Country	Number of entries
1. Indonesia	36
2. U.S.A.	19
3. Malaysia	19
4. France	16
5. Philippines	11
6. Japan	9
7. Australia	7
8. United Arab Emirates	7
9. United Kingdom	6
10. Singapore	6

Source: Adapted from Andreu, et al., (2017)

Andreu et al. (2017) supposed that the reason for this phenomenon can be explained by cultural distance. Consequently, the countries near to the headquarters have been regarded as less risky destinations. Chinese hotel firms may have chosen FDI as the entry mode since it offers companies with full control when they intend to expand into the foreign market (Pak & Park, 2004). Indeed, cultural distance and the level of risk aversion of the firm are the key factors for determining the optimal entry mode (Andreu et al. 2017).

The ownership structure of the Chinese hotel industry might be another one of the reasons for the low internationalization rate, where state-owned hotels have the dominant position in the market (Chen et al., 2018, Harrison et al., 2019). Although the share of state capital has been reduced in the last two decades and some of them have

been transferred into market-oriented companies (Xiao et al., 2014), state-owned hotels still account for more than one-third of the market and over two-thirds of the room inventory (See Table 4). As mentioned before, state-owned hotels are lacking competitive in the market due to inefficient management, insufficient bureaucratic control, and lack of innovation (Chen et al., 2018, Gross et al., 2017, Harrison et al., 2019). Additionally, it might be difficult for hotel companies to detect opportunities in international markets if they are state-owned (Heung et al., 2008).

Table 6 Top 10 Chinese Hotel Groups in 2020

Top 10 Chinese Hotel Groups in 2020				
Rank	Group	Headquarters	Rooms	Hotels
1	Jin Jiang International	Shanghai	873177	8606
2	Hua Zhu	Shanghai	536876	5618
3	Beijing Tourism Group	Beijing	414952	4450
4	Green Tree Inns	Shanghai	290026	3957
5	Sunmei	Qingdao	160565	3267
6	Dossen	Guangzhou	154640	1770
7	Urban	Qingdao	112650	1847
8	Atour	Shanghai	48439	418
9	New Century Hotels & Resorts	Hangzhou	44630	215
10	Zhuyou	Hangzhou	39488	630

Source: Adapted from China Hospitality Association (2020b)

There is another typical characteristic of the current Chinese MHGs that most of them focus on the budget hotel sector (Gu et al., 2012). As the ranking shown in Table 6, the first one, the growth of Jin Jiang International Hotel Group, which also has an ideal position in the world ranking, relies on its market share in budget hotel market, even

though it has already developed different brands to capture different types of customers, such as Jin Jiang Hotels, Marvel Hotels, Jin Jiang Inn, Bestay Hotel Express and Magnotel.

During the expansion of MHGs in China, most of them such as Hilton, Marriott and Hyatt generally avoided the budget hotel sector which give the chance for Chinese domestic hotel firms (Andreu et al., 2010). As a result, Chinese hotel chains caught the opportunity to survive in the cracks and develop budget hotel brands like Home Inn (Beijing Tourism Group), Green Tree Inn (Green Tree Inns) and 7 Day Inn (Jin Jiang International). After learning and absorbing the experience from MHGs, Chinese MHGs have started to look beyond national borders. For example, Jin Jiang International Hotel Group has reached the second largest hotel group in the world after taking into its 50% stake in IHG and full ownership of Louvre Hotels Group, one of the hotel chains under Starwood (Gross et al., 2017). The market entry mode choice selected by these MHGs is also considerable.

2.6 Conclusion

In conclusion, although there are various names of MHGs, all of them describe the same phenomenon. Following the nature of MHGs, this chapter gives the exclusive definition of MHGs by focusing on the organizational feature of multinational hotel groups. In addition, there is a close relationship between the term ‘multinational hotel group’ and ‘hotel chain’. They are both hotel companies in the competition associated with the process of added value to the property’s market value, while they have different targets in the specific market. Actually, hotel chains only focus on particular groups of customers and divide the market into different segments. However, the target of MHGs could be a whole market in one district even on the international level. Moreover, this chapter explores the nature of MHGs by applying different theories, resource-based, value chain, and stakeholder. It explains the distinctive features of MHGs, the combination of multiunit nature, common brand, different types of affiliation and geographical distribution through resources, activities and stakeholders these perspectives. The essence of firms’ growth or the competitive advantage is not only decided by the resources captured by hotel groups, but also the capabilities, activities and behaviours possessed by firms.

Furthermore, this chapter describes different types of entry modes included equity and non-equity. Although the non-equity entry modes are prevalent in the contemporary hospitality industry, each of them has coin sides, advantages and disadvantages. It is important for hotel companies to realize the challenges and take advantage of their benefits. Additionally, it discusses a new type of business model related to the MHGs for consideration. The asset-light business model as one of non-equity entry mode has established a reputation for its own style, approach and characteristics adopted by the renowned MHGs like IHG.

Based on the typical Chinese features of the hospitality industry, it is necessary to consider the role of government, Guanxi and Feng Shui for MHGs when they attempt to enter into the Chinese market. As for the current situation of MHGs in China, there is a trend that most of them intend to transfer from east coastal cities to the interior cities which might be caused by the increase in the price of labour. In terms of Chinese MHGs, their growth has attracted public attention. However, the internationalisation rate of Chinese MHGs still stays in the early stage and the majority of them relies on the budget hotel sector in China. It is inspiring to see the outbound of and the movements of Chinese MHGs in the international hotel market.

The definition of MHGs is a crucial part of this investigation, as this discussion is the initial groundwork to clarify the research objectives. With the reviewing of the previous literature, issues of MHGs behaviour need careful examination since the confusion between MHGs and hotel chains has resulted in chaos in different levels of hotel management. In other words, it is important to investigate the certain role of each participant in the process of decision-making during the expansion of MHGs (see Section 3.2.3).

This discussion is necessary, as on the whole, there is an urgent requirement to give a precise definition of the term ‘multinational hotel group’, especially for those who intend to expand into the inland of China but without the experience. Ultimately, the findings will help researchers, educators and industrialists understand the classical features of MHGs and enrich the relevant literature.

Chapter 3 Location strategy of Multinational Hotel Groups

3.1 Introduction

With the increasing number of tourists, the hotel industry has grown rapidly in both developed and developing countries during the past decades. Based on the report released by the United Nations World Tourism Organization (UNWTO) in 2015, the tourism industry has become one of the biggest and fastest-growing economic sectors in the world during the last few decades. As one of the pillar industries of the tourism industry, the hotel industry has experienced a dramatic increase owing to the rapid development of the service and tourism sector (Elhoushy et al., 2020, Luo and Yang, 2016, Woo and Mun, 2020, Popovic et al., 2019, Masiero et al., 2019, Yang et al., 2017). It draws much attention to the development of hotels in developing countries (Giachetti and Pephrah, 2020, Kruesi et al., 2018, Tulung, 2017, Wong et al., 2005), for example, Ghana (Adam and Amuquandoh, 2014), Romina (Cosma Smaranda et al., 2016) and China. In fact, as the world's second largest economy, China has been expected to become the first tourist destination in the world (Andreu et al., 2017). Based on this circumstance, the Chinese hospitality industry has made great progress overtaking countries that had traditionally occupied top positions in world tourism rankings (Andreu et al., 2020a) which has mirrored the increasing popularity of the tourist destination.

The revenue of the hotel industry has been soared from 226.07 to 434.36 billion yuan between 2009 to 2019, which almost doubled in just a decade (Statista, 2020c). As for the growth of domestic five-star hotels, the annual investment growth rate it has reached 361% from 2000 to 2010 according to the data on the China Statistical Yearbook 1999 to 2010. Although it then experienced a gradual decrease in the number of star-rated hotels between 2011 and 2019 (see Figure 8), the number of hotel rooms has oppositely experienced strong growth in these years (see Figure 9). It illustrates that the Chinese hotel industry is changing, which makes greater demands such as market knowledge and financial support for MHGs (Andreu et al., 2017, Heung et al., 2008, Wang et al.,

2020a). The competition between MHGs has become more fierce due to the changing environment such as Covid-19 impacts (Hao et al., 2020, Jiang and Wen, 2020) and technology application (Nikolskaya et al., 2018, Zhong et al., 2020, Yang et al., 2015). It has also become important for MHGs to choose the right location during the internationalisation process.

The locational strategy has drawn increasing attention from academic and business industries in the past two decades (Wong and Liu, 2010, Andreu et al., 2016, Andreu et al., 2017, Kruesi et al., 2018, Andreu et al., 2020a). It has become an interesting topic for firms whatever they are manufacturing companies or hospitality companies (Dunning, 2001, Johnson et al., 2005, Hitt et al., 2012, Reuer et al., 2014). Although there are many theories in different subjects about location strategy, researchers are unanimous in affirming that it is influenced by two kinds of factors, pull factors and push factors (Altinay and Javalgi, 2007, Chou et al., 2008, Zhang et al., 2012, Yang et al., 2017, Barney et al., 2007). They could be regarded as two forces which the former one is related to specific characteristics of the host country (location-specific factors) and the latter is related to specific characteristics of the companies (firm-specific factors) (Collinson and Rugman, 2011, Hillemann and Gestrin, 2016, Li and Oh, 2016, Rugman and Li, 2007).

For general companies such as manufacturing firms, international business scholars focus on the characteristics of economic agglomeration (Singal, 2015, Yang et al., 2014, Yang et al., 2012), geographic scope (Alonso, 1964, Egan and Nield, 2000b, Wang et al., 2018a, Xu et al., 2012), and culture distance (Choi et al., 2020, Deng et al., 2019, Nazarian et al., 2017, Radojevic et al., 2019). For hotel companies, although it is unnecessary for them to consider the problem that troubled manufacturing companies that the distance between factories and markets, it is a big obstacle for them to expand into a foreign country by building a new property (Chibili, 2017, Ivanova et al., 2016). Geographical dispersion is one of the main topics of locational strategy which has an important influence on operation performance (Andreu et al., 2017, Kruesi et al., 2018, Andreu et al., 2020a). However, it is suggested by previous research (Heung et al., 2008, Andreu et al., 2017, Gross et al., 2013b, Gu et al., 2012, Yang et al., 2017) that the choice of location is determined by not only market but also political policy. Firms, both manufacturing companies and hotel companies, have to consider government policy which has a direct influence on the supply and demand of goods and services

(Quer, 2021, Heung et al., 2008, Wong et al., 2005). Unfortunately, considering previous studies, surprisingly, a clear and logical clarification between the location strategy of manufacturing companies and hotel companies appears to be absent. In addition, various academic studies often focus upon western countries such as America (Canina et al., 2005), Portugal (Barroco et al., 2016), Eastern Central Europe (Johnson and Vanetti, 2005). Although the Chinese hotel industry has received considerable concerns (Andreu et al., 2017, Gross et al., 2013a, Ren and Chadee, 2017), there has not been a systematically comprehensive academic study of expansion undertaken by MHGs in China.

Additionally, due to the increasing online reservations and prevalent loyalty programs among the hotel industry (Coelho and Henseler, 2012, Khalifa and Liu, 2017, Zhou et al., 2007, Moreno-Perdigón et al., 2021), it requires more considerations than it did a generation ago when deciding to invest in a hotel location (Camison et al., 2020, Kruesi et al., 2018, Wang et al., 2018a, Xu et al., 2012). Due to the limited resource and market size, hoteliers are eager to find new markets share where they can acquire and develop resource-based advantages (Alcacer and Chung, 2007, Cró and Martins, 2018, Godinho et al., 2018a, Woo and Mun, 2020). During the enlargement of MHGs within the countries, location strategy plays a crucial role in this process not only because the performance of the hotel industry is closely related to the property location (Johns et al., 1997; Nicolau, 2002; Urtasun & Gutiérrez, 2006; Yang, et al., 2012) but also because an appropriate can influence the hotel company's competitive advantage (Altinay and Altinay, 2003, Barroco et al., 2016, Burgess et al., 1995, Contractor et al., 2003, Johnson and Vanetti, 2005). It is decided by the distinctive features of the hotel industry which are generally capital-intensive and labour-intensive as well (Kundu and Contractor, 1999) that relocation of the properties will rarely happen due to the heavy cost of this action. Therefore, it raises the issue of the importance of the choice of spatial strategy at the initial stage of hotels. And it is reflected in most papers, where repeatedly highlight the importance of locational decisions (Andreu et al., 2017, Dev et al., 2007, Kruesi et al., 2018, Wong et al., 2005).

It started from the concerns about the business behaviour of multinational enterprises (MNEs) by using international trade theories which refers to manufacturing and not hotel firms (Alon et al., 2012; Chen & Dimou, 2005; Kundu & Contractor, 1999). Then, it moved towards non-equity entry modes which have become increasingly popular

with hotel corporations (Brown et al., 2003, Chen and Dimou, 2005, Contractor et al., 2003, Johnson and Vanetti, 2005, Kundu and Contractor, 1999), restaurant chains (Enz, 2008) and the broader tourism industry (Kruesi et al., 2018).

However, the majority of previous research overlooked the role of stakeholders such as land developers during the location selection process, especially considering the non-equity entry modes as hotel companies do not own properties. Additionally, the specific decision-making process has been largely ignored during their expansions in developing countries which might be completely different from their counterpart in the developed market.

This study addresses the specific problem that what factors determine MHGs selecting locations in the mainland of China. Considering the contributions of MHGs to China's hotel industry, modelling and evaluating factors for hotels is an essential part of a hotel's spatial location strategy. According to the findings from Galbraith et al (2008), they suggest that location decisions should be treated as a dynamic dimension of strategy rather than a static one-time choice since the selection of location is directly correlated to a firm's competitive strategy. Following this line of research, this chapter aims to define the concept of location rather than the traditional version which was only focusing on geographic factors. It summarizes several disciplines related to the location choice in a bid to make contributions to the literature review. In addition, it compares the differences focusing elements between manufacturing and hospitality companies when they tend to expand into the foreign market. Finally, it reviews the arguments pointed out by previous research regarding the push and pull factors affecting the selection of new property.

3.2 The Concept of Location

Although the concern of the scholars with spatial strategy dates at least to the 18th century (Alonso, 1974), the systematic and clarified definition of location still presents to be absent. Researchers (e.g. Beugelsdijk et al., 2010; McCann & Mudambi, 2005) have spent much time and effort on exploring the importance and influence of appropriate location strategy. Indeed, the influence of a well-selected location has been well recognized that it has both short and long term implications on the strategic development and operational performance (Egan & Nield, 2000; Rivers et al., 1991; Urtasun & Gutiérrez, 2006; Yang et al., 2012). It appears that successful investment in the hotel industry is largely dependent on location factors (Kim & Okamoto, 2006) since the concept of location is all about where and why firms place specific activities in particular areas (Goerzen, et al., 2013). By the same token, larger accommodation (Lockyer, 2005), higher revenue per available room (Sainaghi, 2011), satisfying customer experience (Sim et al., 2006), enhanced operating performance (Chou, et al., 2008) and lower risk rate (Baum & Mezias, 1992) are always related to location decisions. However, most of them show a proclivity to focus on site selection theory instead of attempting to give a precise and rigorous definition of location.

The concept of location has been mentioned many times in the previous research not only in the hotel industry (Endo, 2006; León-Darder, et al., 2011) but also in the international business research (Alcácer & Chung, 2007; Nachum & Wymbs, 2005). International business (e.g., Porter, 1998) and economic geography (e.g., Martin & Sunley, 2003; Scott, 1992) have been regarded as two prevalent topics for almost a century (Goerzen, et al., 2013). The concept of location was raised by Johann Heinrich von Thünen (1875) who is the pioneer in this field and regarded as ‘the father of location theorists’ (Isard, 1949). In Thünen’s theory of location, the accessibility to the marketplace can create a complete system of agricultural land use and the location of different kinds of agricultural production is determined by the price of the products and the distance from the market. Although it seems to oversimplify the problem with the assumption of a totally isolated economic system, the cost of transporting the products to the market place has been formally believed as a significant basic element in the location theory (Friedrich, 1929).

With the acknowledgement of great indebtedness to Thünen, Marshall (1927) built a classical system the new equilibrium theory of demand and supply. And the traditional understanding of industrial development and location decision-making is based on the seminal work of Marshall (2009), which has pointed out the nature of economic agglomeration. Based on Marshall's view, firms are expected to cluster in regions primarily because of demand and supply considerations (e.g., Goodman & Bamford, 1989). Based on Schmenner's (1982) view, plant location decisions should be understood within the context of a firm's dynamic corporate strategy rather than as a simple cost function. This foundation has led some researchers (e.g. Krugman, 1991; McCann et al., 2002) to argue for a more strategic-oriented, transaction cost analysis of location decisions and entrepreneurial clustering. It can be argued that previous studies have provided different approaches to explore the nature of the location. The consideration of location has an intertwined relationship with the competitive advantages of firms (Galbraith et al., 2008). It is important to include strategic decisions of other companies in the same region or site when the firms in that location form clusters.

3.2.1 The definition of location

Before analysing the influential locational factors, it is necessary to have a basic understanding of the location where appears the blank of current research. With the basis approved, it will be possible to give the definition of the hotel location. As shown in Table 7, most of the researchers capture the point of the place (Emdash, 2012; Lukermann, 1961) or area (Durlauf & Blume, 2008; Goerzen et al., 2013) as the core of the location definition. More deeply, some of them claim that the economic activities (Durlauf & Blume, 2008; Encyclopaedia Britannica, 1998) or human influence (Emdash, 2012; Goerzen et al., 2013) are the basic element of location. Indeed, location is always accompanied with the involvement of human beings, such as a firm choose a specific place as the target for their investments. The purpose of human activities could be perceived as the reasons why firms located in such a place. And these reasons are coincidentally the criteria used for distinguishing this place and other places. Therefore, it is reasonable to see that Encyclopaedia Britannica (1998) and Goerzen et al., (2013) spontaneously address the reason of firms choosing place in their definitions of location.

Table 7 Different Definitions of Location or Location Theory

Source	Definition	Key Points
Capello & Nijkamp (2010)	A purely geographical conception of continuous, physical-metric space definable in terms of physical distance and transportation costs.	(1) distance (2) transportation costs
Durlauf & Blume (2008)	Location theory deals with what is where. ‘What’ refers to any possible type of economic activity involving stores, dwellings, plants, offices, or public facilities. ‘Where’ refers to areas such as regions, cities, political jurisdictions, or custom unions. The objective of location theory is to explain why particular economic activities choose to establish themselves in particular places.	(1) location theory (2) economic activity (3) organizational areas (4) particular places
Emdash (2012)	A location is the place where a particular point or object exists. Location is an important term in geography, and is usually considered more precise than ‘place’. A locality is a human settlement: city, town, village, or even archaeological site.	(1) place (2) emphasize the existence of object (3) considering the relation with human
Encyclopaedia Britannica	Location theory, in economics and geography, theory concerned with the geographic location of economic activity, it has become an integral part of	(1) geographic location of economic activity

(1998)	economic geography, regional science, and spatial economics. Location theory addresses the questions of what economic activities are located where and why. The location of economic activities can be determined on a broad level such as a region or metropolitan area, or on a narrow one such as a zone, neighbourhood, city block, or can individual site.	(2) what economic activities are located where and why (3) the scale of location is adjustable
Lukermann (1961)	In classical geography, location was used to describe relation, quantity, and process. It was the philosophical “where”.	(1) relation, quantity and process (2) where
Goerzen et al., (2013)	Location is where and why firms place specific activities in particular areas.	(1) place and area (2) reason (3) specific activities

Source: Author

Another interesting thing is that different schools of researchers have diverse propensity to their respective issues. Capello and Nijkamp (2010) pay close attention to distance and transportation costs while Lukermann (1961) as a geographer concerns about the demarcation of the earth's surface. More precisely, geography, choreography and topography are the specific terms used to describe different location according to different sizes of tract (Lukermann, 1961). Actually, location can sometimes be expressed in absolute terms or relative terms simultaneously. A place's absolute location is its exact place on Earth, often given in terms of latitude and longitude while the relative location is a description of how a place is related to other places. Relative location can help analyse how two places are connected, whether by distance, culture, or even technology.

However, the impact of the Internet on location has been ignored which is dramatically changing business structure ranging from redefining participants' roles and operations to the transformation of customers' needs (Wei et al., 2001). With the online service, customers are benefited from rating and reviewing products and acquiring others' opinions which are directly helpful for making choices between purchasing alternatives (Schmidt et al., 2008). According to the report from MarketLine (2017), the widespread use of technology and the proclivity of using online review has become the key characteristics of millennial consumers. This trend implicates that traditional methods of marketing might be less effective such as radio, television and printed material (Hill, 1996) and website has more influences than it did before. The Internet is not only perceived as a means of information gathering (Wei et al., 2001) but also as a platform to offer a highly interactive experience with consumers (Schmidt et al., 2008) including the condition of the business and the culture of the company. As for the hospitality industry, many hotels use the Internet for promotion and point-of-sale and as a support tool for customer relationship management. Consequently, a website as a virtual location is not limited to offering a first impression to the browsers but is regarded as another facade interface for enterprise services.

Building upon previous research and summarizing the current change, the location is defined as:

Location is a physical or virtual place designed for firms with irrational motives settling specific activities such as production, distribution and promotion.

3.2.2 Definition of hotel location

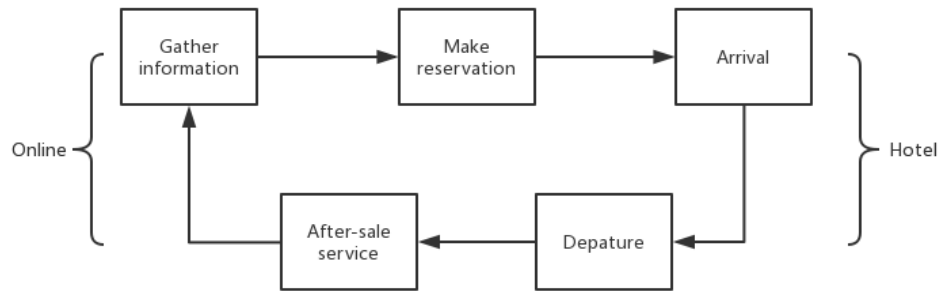
Following the same line, the hotel location is defined as:

Hotel location is a place directly related to the level of hotel business activity operating according to the hotel budget plan or a website offering relative business information including hotel rates, customer relationship management, the sample of the hotel room and part of hotel activities such as reservation and review.

This definition captures the key points of the location place and activities and emphasizes the importance of the virtual place of location since it is actually part of the production, consumption and distribution of products. It is depicted in Figure 3.1 below that there are only two steps arrival and departure taking place in the hotel and the rest of them mostly occur online.

Although hotel website location has had relatively higher importance in recent years, this research will concentrate on the physical place. Compared with the website, it is harder to change the physical place as it can cost more effort and capital. The most important thing is that the physical place is the consuming place where customers patronize the hotel and receive directly service while the virtual one is the start point of offering service to customers.

Figure 15 The process of hotel consumers

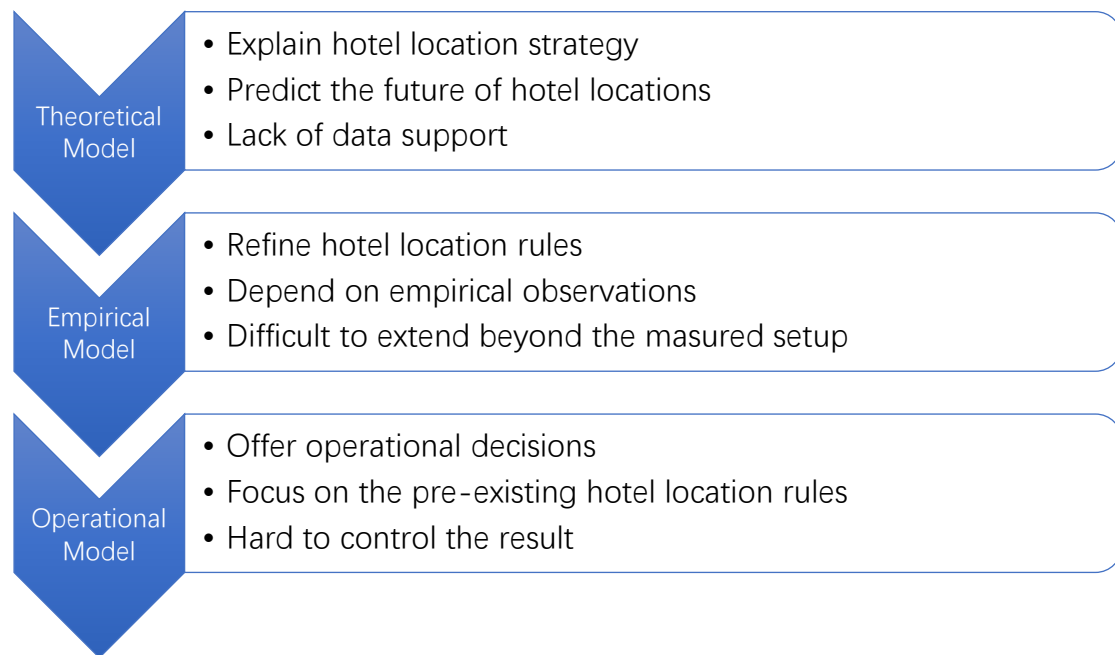


Source: Author

3.2.3 Hotel location strategy model

Yang, Luo and Law (2014) concluded that the hotel location models could be categorized into three major types: theoretical models, empirical models, and operational models (see Figure 16). According to their views, theoretical models refer to the explanation of the hotel location strategy and the prediction of future hotel locations. Empirical models are related to the refinement of hotel location rules based on empirical observations while operational models provide information about how to apply the existing rules to make operational hotel location decisions.

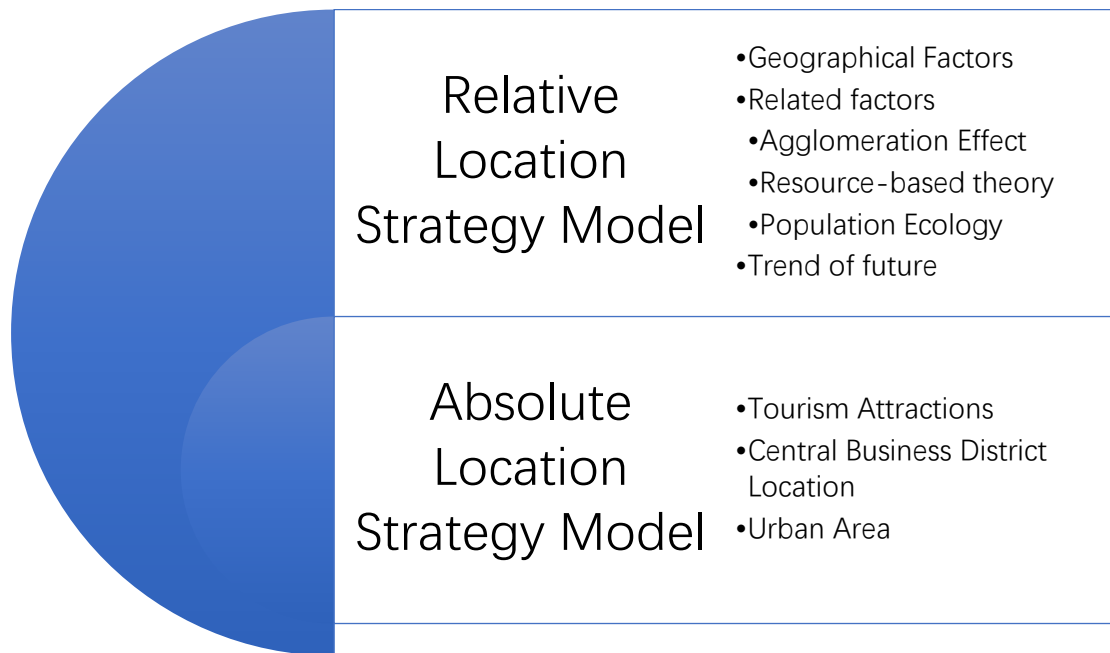
Figure 16 Research Models in Hotel Location Strategy



Source: Adapted from Yang et al., 2014.

Following this line, this thesis presents a new and simplified approach to conclude the previous documented hotel location strategy models. There are two categories namely absolute and relative location strategy models. The former one is regarding the optimal choice of the geography for the hotel based on the current situation while the latter one is considering changing conditions in order to make the best response which is a dynamic process. The absolute location strategy model provides suggestions for MHGs depending on the factors such as tourism attractions (Oppermann et al., 1996), central business district location (Rogerson, 2012) and urban area (Egan et al., 2006) which are directly related to the geographic location. These geographical factors have a certain influence on the location strategy which decide the accessibility to the market. Indeed, the closer to the market, the high probability to dominate the market.

Figure 17 The Focus of Relative and Absolute Location Strategy Models



Source: Author

The relative location strategy model is a dynamic interaction process which considers not only the current geographical factors but also others' choices and the trend of the future as shown in Figure 17. There is a fact that hotels are distributed in purpose rather than randomly located. It is widely accepted that most of them tend to cluster with other heterogeneous or homogeneous hotels to achieve an agglomeration effect (Yang, et al., 2014). The meaning of the agglomeration has been pointed out by previous researches (e.g. Ingram & Inman, 1996; Kalnins & Chung, 2004). It could allow participants in the cluster to share resources such as market information, and become an attractive magnet with suppliers to form a close-connected relationship with suppliers. Additionally, agglomeration also could reduce passengers' cost of searching for accommodations. However, some hotels in the cluster have to face unprecedented crises which are caused by the competition from agglomeration. Baum and Haveman (1997) have identified that hotels even encounter value decrease during the development of agglomeration since the intense competition eliminates relative weakened companies. There is a balance for the location strategy of hospitality management (Kundu & Contractor, 1999). On the one hand, arguments pointed out by spatial economics and new institutional sociology suggest that hotels could obtain positive externalities from the economic and institutional environments, when they choose to locate closely to its

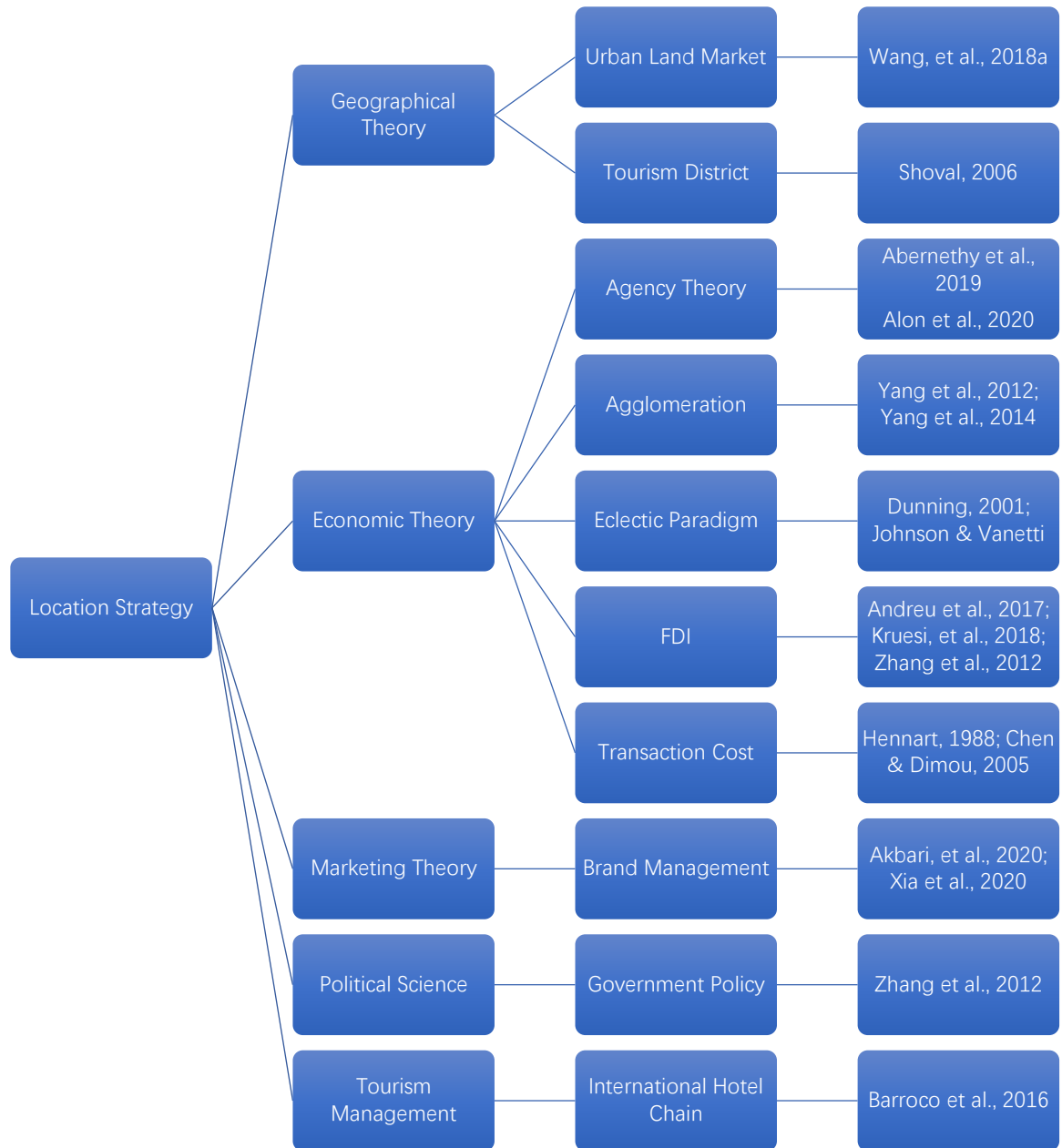
competitors. On the other hand, arguments deriving from strategic management, the resource-based view of the firm, and population ecology suggest that hotels could avoid competition from other competitive hotels, when they choose to locate far from their competitors.

The decision-making process of location strategy always takes many theories even some of them from different disciplines into account. These theories include geographical (Egan & Nield, 2000; Shoval, 2006), economic (Johnson & Vanetti, 2005; Kalnins & Chung, 2004; Kundu & Contractor, 1999) and marketing theories (Baum & Haveman, 1997; Urtasun & Gutiérrez, 2006). Currently, the inevitable globalization has connected every market together to form a vast international market as an integral. The location strategy which only has the consideration of the geographical factor is not sufficient to meet the development of enterprises among the wave of globalization. Therefore, the relative location strategy model is a concentration of factors such as parking conditions (Tzeng et al., 2002), traffic conditions (Coltman, 1989; Pan, 2002), hotel characteristics (Johnson & Vanetti, 2005) and operation management (Urtasun & Gutiérrez, 2006). It tends to evaluate all the influencing factors and with the progress on management methods in a dynamic way. Arguably, it is advisable to suggest that location decisions should be considered as a dynamic dimension of strategy rather than a static one-time choice (Galbraith, et al., 2008).

3.3 Different Theories about the Location Strategy

As mentioned before, many theories have been used to enrich the location strategy ranging from geographical theory to marketing theory. As shown in Figure 18, it is clearly presented in the figure that there are kinds of subjects used for explaining the location strategy of hotel companies. Economic theories have a relatively higher position in this decision-making process since they have a majority number and more often frequency. Therefore, it is necessary to demonstrate a group of theories about international trade which has a crucial effect in the understanding of the choice of a destination to enter before giving a clear and systematic summarization of these theories (Barroco et al., 2016).

Figure 18 Different Disciplines in Location Strategy



Source: Author

Early studies about international trade could be tracked from Adam Smith's (1776) theory about absolute advantage and David Ricardo's (1817) theory of comparative advantage. With the contributions of Heckscher (1919), Ohlin (1993) and Samuelson (1948), the framework of neoclassical theories has been built with the understanding that the existence of market imperfections has a positive influence on international trade. Additionally, Vernon's (1966) theory of product life cycle, Porter's (1990) competitive advantage theory and Coase's (1937) transaction cost theory have extremely influenced the internationalisation theory. Drawing on the work of these studies, the internalization paradigm (Buckley & Casson, 1996; Oviatt & McDougall, 1994), foreign direct investment (FDI) (Kundu, 1994), and eclectic paradigm models (Dunning, 2001) have been introduced into explaining internationalisation. Three sets of factors in the eclectic paradigm model, Ownership, Location, and Internationalisation (OLI) have been refined by many scholars (e.g. Contractor & Kundu, 1998; Johnson & Vanetti, 2005). The model has significant implication on explaining the various value-added activities carried out by international firms when they decide to expand business abroad.

Ownership advantages refer to the structural or behavioural nature of firms including the size of the company and its ability to achieve economies of scale. That is also the reason why previous research always put the size of the firm in the first place when using the model to consider the location strategy of MHGs (Alon et al., 2012; Andreu et al., 2017; Guillet et al., 2011; Heung et al., 2008; Yang, et al., 2012; Yang et al., 2017; Zhang et al., 2012). Location advantages could be regarded as the location-specific advantages to attract companies moving towards. The most prominent indicator is the size, growth and stage of development of the overall market in the host country (Jonhson & Vanetti, 2005).

As for the internalization advantages, they are related to the question of whether to go international. More specifically, the internalization advantages are the benefits that firms obtain from the process of internalization. Go and Pine (1995) highlighted that internalization is a significant incentive for hotels due to the diversity in tourism and the complexity of hospitality products. A firm tends to internalise when internal transaction costs are more reasonable than external markets. And it is directly concerning the make-or-buy business decision since the firm is able to produce internally if the price is lower than external or to outsource the function.

In addition, network theory, which states that the relationships among customers, suppliers, competitors and governments are crucial for the firm's production process, has been proposed by many researchers (Johanson & Mattsson, 1993; Johanson & Vahlne, 1990) owing to the development of resource dependency theories (Coviello & McAuley, 1999). There are many forms of networks including strategic alliances, joint ventures, licensing agreements, subcontracting, joint R&D, and joint marketing activities (Ireland et al., 2001).

The previously mentioned theories have provided many approaches to make the spatial decision for hotel management which offer several sophisticated frameworks to shed light on the importance of location strategy. Contractor and Kundu (1998) have combined several elements, transaction cost, agency theory, corporate knowledge and organizational capability, into an integrated model to explain the complexity of hotel internationalization. By the application of agency theory, Alon, Ni, and Wang (2012) built an agency-based organizational model of internationalization to examine the determinants of hotel chain expansion. Andreu, Claver and Quer (2017) also take host country risk, cultural distance, market attractiveness, firm international experience and asset intangibility into consideration to provide new empirical evidence on foreign market entry modes in the Chinese hotel sector. As listed in Table 8, previous studies focus on the different aspects of the hotel companies' location choices. However, it shows that most researchers hold the viewpoint that both economic factors and political and policy factors are crucial for the new property of MHGs.

Table 8 Determinants of Location Choices

Year	Author (s)	Determinants
2012	Alon et al.	<ul style="list-style-type: none"> • Agency theory • Geographical dispersion
2012	Zhang et al.	<ul style="list-style-type: none"> • Geographical cities • Tourism market size • Political and policy • Legal • Social • Culture • Event
2013	Rodtook and Altinay	<ul style="list-style-type: none"> • Economy • Political and policy • Advanced skills
2014	Tai	<ul style="list-style-type: none"> • Tourism market size • Political and policy • Infrastructure • Dependability and transparency of investment information • Labour force
2016	Ivanova et al.	<ul style="list-style-type: none"> • Economy • Political and policy • Socio-culture

		<ul style="list-style-type: none"> • Technology • Environment and ecology
2017	Andreu et al.	<ul style="list-style-type: none"> • Resource commitment • Culture • Market • International Experience
2020	Wang et al.	<ul style="list-style-type: none"> • Opportunity • Manager's Attitude • Stakeholder pressures • Cost • Competitive Advantage
2021	Woo et al.	<ul style="list-style-type: none"> • Origin country • Service quality • Entry modes • Knowledge transfer

Source: Author

Although there are many studies paying attention to the differences between manufacturing and hospitality industries (Dunning, 2001; Johnson & Vanetti, 2005; Kundun & Contractor, 1999), there has not been a systematic conclusion about various location decisions caused by these differences. Therefore, it is necessary to compare the differences between the location strategy of manufacturing companies and hotel companies by offering a systematical conclusion.

Before analysing the different focusing factors on the location strategy between manufacturing companies and their counterparts in service industries such as hotels, it should be sequentially to explain the fundamental reason for this phenomenon firstly. Compared with the manufacturing industry, the distinctive nature of the service industry is immediacy (Sasser, 1976). For example, the rooms of hotels are exactly what the guests want and the airline seats should be empty when the customers want to fly. More specifically, providing accommodation service is one of the intangible products of hotels while manufacturing focuses on producing tangible and touchable products. As a result, it is impossible for hotel companies to transfer their products (Cooper, 2006) since services are direct which is restraining the distribution (Erramilli et al., 2006) as mentioned in Figure 3.1 above.

In addition, the simultaneity between production and consumption in service industries (Andreu et al., 2017) has resulted in a relatively high degree of producer-consumer interaction while they are two separate parts in the manufacturing industry that are connected by logistics and marketing. Moreover, it is because those services are unable to transport, the consumer must be brought to the service delivery system or the system to the consumer (Sasser, 1976). This is the reason why enterprises in service industries depend heavily on an effective location strategy than their counterparts in the manufacturing industry. Consequently, it is possible to say that some arguments applied in the manufacturing industry cannot be directly transferred to the hospitality industry (León-Darder et al., 2011).

Table 9 Different focusing factors of location strategy between manufacturing and hotel companies

Factors \ Companies	Manufacturing Company	Hotel Company
Facilities	Factory	Property
Logistics/Traffic	Goods Transportation	Public Transportation
Market	Close to factory	Close to property
Community and Site	Sparsely populated area	Densely populated area
Government Policy	Tax Payment	Open Door Policy
Cultural Distance	Not important	Relatively important
Labour	Sufficient number	Sufficient number

Source: Author

Table 9 has compared the differences of focusing factors between manufacturing companies and service companies, more specifically hotel companies when they settle a new facility or property. It is evident that the facilities of manufacturing companies are mostly factories and relevant supportive equipment while rooms of properties are the main facilities of hotel firms. Due to the simultaneous process of production and consumption in the hospitality industry, the factory is actually the same as the consumption place. Therefore, hotel companies need to settle their locations near to public transportation, central business district or tourism sites. By contrast, logistics and traffic are significant to the manufacturing firms (Lu & Bostel, 2007) with emphasizing the importance of goods transportation. As for the community and site factor, manufacturing firms always settle their factories in a sparsely populated area where the price of land is much cheaper than the central part of cities. Different from manufacturing companies, densely populated area is conducive to hotels for attracting more customers to rent their rooms, even though the cost of land rent will increase.

Political factors have influenced both manufacturing and hotel companies although in different degrees (Ivanov et al., 2017, Maclean et al., 2018, Quer et al., 2017b, Wang et al., 2021). Taxation plays as an incentive on the decision of location among

manufacturing industry (Buttner et al., 2007). In addition, the stability of the political environment also influences the operation of hotels (Ivanov et al., 2017). The hospitality industry requires the host country has an open-door policy to allow them enter the market at least (Quer, 2021, Andreu et al., 2010, Zhang et al., 2005).

Cultural distance has a statistically significant impact on the location strategy decision of the hospitality industry (Choi et al., 2020, Deng et al., 2019, Nazarian et al., 2017, Radojevic et al., 2019), especially in China, which has been tested by Quer et al. (2017a). When it comes to the manufacturing industry, it can be argued that cultural distance has much less influence on manufacturing than hospitality since the competitive products always dominate the market by technology, efficiency and characteristic such as Coca Cola. As a labour-intensive industry, both manufacturing and hotel companies (Chand & Katou, 2007) should examine the population of prospective locations to ensure that there is a sufficient number of potential customers or a sufficient number of trainable workers.

3.4 Push Factors and Pull Factors influencing the location strategy

Many scholars have separated the influential factors of the location strategy according to the transaction cost theory (Elhoushy et al., 2020, Akbar and Tracogna, 2018, Kruesi et al., 2018), the resource-based theory (Silva et al., 2017) and OLI model (e.g. Alon, et al., 2012; Andreu et al., 2017; Johnson & Vanetti, 2005; Yang, et al., 2012). Previous research has also largely referred to the country- and firm-specific advantages (CSA-FSA) framework examining the internationalisation strategies of MNEs (Hillemann and Gestrin, 2016, Li and Oh, 2016, Rugman and Li, 2007). In the hospitality industry, hotel location strategy has attracted many researchers considering the push and pull factors (Wang et al., 2020b, Woo and Mun, 2020, Yang et al., 2015, Yang et al., 2017) which are in the same line with the counterpart in the business management field.

Table 10 Push Factors and Pull Factors for Hotel Firms

Push Factors	Company Size	Andreu et al., 2017; Andreu, et al., 2020; Altinay, 2005; Chen & Dimou, 2005; Endo, 2006; Hossain, et al., 2021; Gross & Huang, 2011; Johnson & Vanetti, 2005;
	International Experience	Anreu et al., 2017; Dev, et al., 2007; Kruesi, et al., 2018; León-Darder et al., 2011;
	Brand Management	Akbari, et al., 2020; Andreu et al., 2017b; González-Mansilla et al., 2019; Huang et al., 2011; Xia et al., 2020;
Pull Factors	Market Size	Alon et al., 2012; Anreu et al., 2016; Chen & Sun, 2005; Dunning & Kundu, 1995; Johnson & Vanetti, 2005; Zhang et al, 2012
	Political and economic environment	Adam, 2013; Huang et al., 2008; Ivanov, et al., 2017; Mcalean, et al., 2018; Quer et al., 2017; Wang et al., 2021; Zhang et al., 2012.
	Tourism resources	Dunning & Kundu, 1995; Johnson & Vanetti, 2005; Lee & Jang, 2015; Shoval, 2006
	Cultural distance	Altinay, 2005; Dunning & Kundu, 1995; Dunning & McQueen, 1982; Endo, 2006; Gross & Huang, 2011; Johnson & Vanetti, 2005; Quer, et al., 2017; Zhang et al., 2012.
	Road accessibility	Barros, 2005; Chou et al., 2008; Wall et al., 1985; Yang et al., 2012; Yang et al., 2017

Source: Author

As it is presented in Table 10 that push factors and pull factors have been mentioned by many scholars in previous research. The size of the company and its ability to obtain economies of scale have a significant influence on expanding resources and absorbing risks (Andreu et al., 2017b). The establishment of subsidiaries abroad requires large financial and managerial support. An accompanying result is an increasing pressure on the firm which demands high-control and efficiently allocation of resources which is difficult for small and medium-sized firms.

International experience guarantees that the hotel is capable of dealing with the uncertainty during its expansion abroad (León-Darder et al., 2011). In addition, strategic brand management as one of the push factors also influences the enlargement of hotel firms. Intangible assets such as brand name, reputation and commercial skills have a direct impact on the hotel operation (Pla-Barber et al., 2011). As a result, strategic brand management is even a decisional factor through the course of enterprise expansion.

Market size is the directly determinant for expected hotel occupancy rates (Zhang et al., 2012). As the main purpose of a hotel is providing accommodation for travellers whatever they are away from home for business or leisure, it is logical to consider the market size, more precisely, tourist arrivals as the top priority. It should be noted that the environment as one of the pull factors covers a lot of ground including a stable political and economic situation (Deng et al., 2019, Maclean et al., 2018).

In order to make a satisfying location strategy, political factors are largely relevant to strategy formulation since they have various regulations on the daily operation of global companies (Ivanov et al., 2017, Maclean et al., 2018, Quer et al., 2017b, Wang et al., 2021). These regulations include product standards, production requirements, excise taxes, pricing guidelines, and entry and exit rules and so on (García-Canal & Guillén, 2008). It causes a significant strategic dilemma for firms seeking for expanding outside their national boundaries. Based on established theory and practice, it is advisable to expand abroad in a step by step and gradual process in order to minimize risks and deal with uncertainty (Guillén, 2002; Vermeulen & Barkema, 2002) while fierce business competition requires a rapid development of firms expanding within the foreign market.

In addition, the growth of cities, as the economic geography part, also has an influence on the location strategy among the intersection of international business theory and economic geography (Brown, et al., 2010; Jacobs, 2000). Cities, as an ecosystem that naturally organizes

diverse human activities, play an important role during the expansion of MNEs including MHGs. However, some observers (e.g., Sassen, 2001; Scott, et al., 2001) argue that cities are becoming weak through the process of making location decisions since most of MNEs tend to move their back-office operations from urban centres to outlying suburbs. A better way to frame the issue is that network technologies such as the Internet have accelerated the linkage between cities and multinational enterprises (Sassen, 2010). In other words, cities are becoming ever closer with the location strategy of MNEs rather obsolete.

It has significant implications for MHGs making specific location choices with respect to their international entrance. Therefore, it requires to re-examine the position of specific cities' advantages in location strategy during the enlargement of MHGs. As for the hotel industry, many scholars have been attracted by the privileged position of the location. Rivers et al. (1991) proved that there is a positive relationship between the convenience of location and tourists' hotel selection. Both business tourists and leisure tourists tend to put the location factor at the priority when selecting their hotels (Aksoy and Ozbuk, 2017, Cró and Martins, 2018, Hossain et al., 2021, Wang et al., 2020b, Woo and Mun, 2020). Moreover, Rogerson (2012) claimed that urban tourism is influenced by hotels' spatial location since hotels belong to the urban infrastructure construction. Based on this point of view, Adam (2013) argues that hotel location research is conducive to governments authorities planning urban development.

In the same vein, hotels are not only the accommodation for tourists but also able to be landmarks for the city such as Burj Al Arab Hotel which is the most widely referenced seven-star hotel, even though it was never formally awarded such a mark. Actually, hotels as a major element of the metropolis (McNeill, 2008) has a certain influence on the shape of cities which makes sense that they could be found in lots of places such as convention centres, central business districts, transport gateways and tourist attractions. The managers focus on whether the character of a hotel can combine with the local culture characteristic when they search for locations. Additionally, they pay more attention to other criteria such as public security, modes of transportation to reach scenic spots and to combine these with the local character when a hotel is being designed.

3.5 Conclusion

Representational of research aims, the concept of location is central to this study. With the increase of online reservations and the impact of the internet, it is necessary to refine the

definition of a hotel location. This trend requires that the geographic factor is not only the criterion for the locational strategy of MHGs but other things such as brand loyalty play a crucial role in attracting or maintaining customers. This situation also demands that hotel companies and development firms need to rework the game plan when it comes to site selection (see next Chapter). The relationship among MHGs, land developers and local government will also be discussed to substantiate the specific determinants which need to be identified in relation to locational strategy.

Therefore, it is necessary to discuss the definition of the hotel location before exploring the determinant factors of property selection. And caution has to be given to the lack of a precise definition and the lack of statistical analysis to support these assumptions. However, it is the limitation that must not be forgotten that statistical analysis is hard to implement as variables are changeable. It implies that there arguably exists a way that fixes other variables to analyse the effectiveness of the virtual location of a hotel for further research.

Back to the research aims, from this review of the locational literature, it has become apparent that push and pulls factors have been unanimous agreed with scholars which are regarded as the two main factors influencing location selection. By summarizing theories from different disciplines related to the location choice, the author found that push factors as the firm-specific factors include the size of the company and its ability to obtain economies of scale, international experience, and strategic brand management. And the latter is related to specific characteristics of the location, including market size, political factors, the growth of cities, tourism resources, cultural distance and road accessibility. However, this assertion needs to be tested by the numerical data. Moreover, the impact of each factor might be different, but the extent is uncertain which also ask for statistical support.

Due to the complex interaction between hoteliers, land developers and government, these relationships shall now be discussed in more detail. Therefore, before considering the methodology of the research in Chapter 5, the review shall now consider the game theory and its application in the hospitality industry in depth.

Chapter 4 Game theory

4.1 Introduction

Game theory has been widely accepted as one of the most effective analytical tools to explain the strategies undertaken by decision-makers (Bourke et al., 2020, De Pelsmacker et al., 2018, Wei et al., 2012, Xuan et al., 2016). As a mathematical economic framework, game theory represents the interaction between a set of variables (Wei et al., 2012). The popularity of applying game theory for two reasons. Firstly, it can simplify the variables and relationships from observation (Stevens, 1961). Secondly, it gives more strategic information input for decision makers as the selection of data based on a paradigm of econometric study (Williams, 1977). By using one of the famous models in game theory, the Prisoner's Dilemma game which is instructive for examining competitive marketing strategy, Chung (2000) pointed out that there is a positive relationship between pricing strategies and business performances of supper deluxe hotels in Seoul. In the same token, decision theory has been deployed by Williams (1977) for setting hotel reservation policy. Moreover, game theory has received increasing attention in the field of analysing international environmental problems (Baum and Mudambi, 1995, Deng et al., 2014, Friedem, 1998, Finus, 2000). The supply chain which includes price wars and other price-cutting behaviour (Cachon and Netessine, 2006) could be relatively well explained by game theory (Esmaeili et al., 2009; Van den Heuvel et al., 2007).

The tourism industry has been received increasing attention about the application of game theory (Sheng, 2011, Tran and Thompson, 2015, Weng and Li, 2017, Xuan et al., 2016). By utilising game theory, Tran and Thompson (2015) examined characteristics between the Chinese and Japanese tourism industries and provided suggestions for their tourism development. Weng and Li (2017) found that the interacted role of tourism management department, tourists and tourist destination among the development of the tourism industry. Sheng (2011) highlights the relationship between regional competition and sustainable development in the tourism industry. It is also applied in the hotel industry referring to the pricing strategy (Baum and Mudambi, 1995, Chung, 2000, Guo et al., 2013), marketing strategy (De Pelsmacker et al., 2018, Deng et al., 2014) and customer behaviour (Von Neumann and Morgenstern, 2007, Williams, 1977). There are few spatial interaction models applied in the tourism industry. Hurley et al. (1998) pointed out the application of genetic

algorithms in order to solve the problem of tourism site location. Based on their work, Godinho et al. (2015) suggested the application of game theory on hotel location selection by balancing cost structure and budget constraints. In addition, Godinho et al. (2018b) further extended the work by considering the activities of competitors when choosing a hotel location.

The importance of hotel geographic location has been repeatedly highlighted (see Chapter 3) by previous researchers (Aksoy and Ozbuk, 2017, Elhoushy et al., 2020, Godinho et al., 2018a, Yang et al., 2015, Yang et al., 2017). However, there are surprising, few studies using game theory to solve this inevitable and basic problem that how to optimise location strategy (Chou et al., 2008, Godinho et al., 2018b, Lambertini, 1993, Shaked, 1982). Moreover, it is rare to see the utilisation of game theory in the Chinese hotel industry due to the specific characteristics (see details in Chapter 2). The even worse thing is that most of these studies are historically old which needs to keep pace with the times. The Chinese hotel industry has experienced an obvious development not only in the whole market size but also the structure (Gross et al., 2013a, Gu et al., 2012, Heung et al., 2008, Quer Ramón et al., 2017).

This study aims to evaluate the influential factors of locational strategies for MHGs in mainland China by utilising game theory to demonstrate the specific decision-making process. This chapter, therefore, attempts to introduce the functions of game theory by comparing the differences between classical and evolutionary game theory. In addition, considering the contributions of game theory, this chapter highlights the applications of game theory in various industries such as political science. Moreover, this chapter combines factors discussed in Chapters 2 and 3 to formulate the conceptual framework of this thesis.

4.2 Classical Game Theory and Evolutionary Game Theory

4.2.1 Classical Game Theory

Before continuing, it is necessary to introduce the basic concepts of game theory. Based on the current study, game theory was selected as the foundation for examining the multiplayer relative to competitive tourism decision-making efforts. As a wide application theory primarily in economics, political science, psychology, logic and biology, game theory is the study of conflict and cooperation (Xuan et al., 2016). There are three fundamental concepts in game theory, best response, dominant strategy, Nash equilibrium (NE) (Von Neumann and Morgenstern, 2007). The best response for each group between either focusing or not focusing on the site whether could be developed into a hotel property is the response that earns a player a larger payoff than the opposing player. The dominant strategy is the strategy that earns a player a larger payoff than the opposing player regardless of the response or movement of the opposing player. The Nash equilibrium is the mutual best response in the sense that each strategy is considered to be an optimal strategy when compared with the other.

Iterative deletion of dominated strategies (IDDS) is a critical concept in game theory that iteratively removes dominated strategies in order to maximize the payoff. Dominated strategies should be removed from the candidates of final decision firstly. Then, the strategies were not weakly dominated in the original game but they are weakly dominated once the decision maker delete that dominated strategies, followed by deleting these strategies that were not dominated in the smaller game. This process is repeated until each player knows that the rest of the players are rational and each player knows that the rest of the players know that he knows that the rest of the players are rational (Aumann, 1976).

Perfect information is a term used in economic game theory to describe a state of complete knowledge about the actions of other players that is instantaneously updated as new information arises (Levinson, 2005) and the utility functions, payoffs, strategies and ‘types’ of players are thus common knowledge. However, it is more prevalent to see the asymmetric information in reality such as seller and buyer of used car. Incomplete information is that players do not possess full information about their opponents.

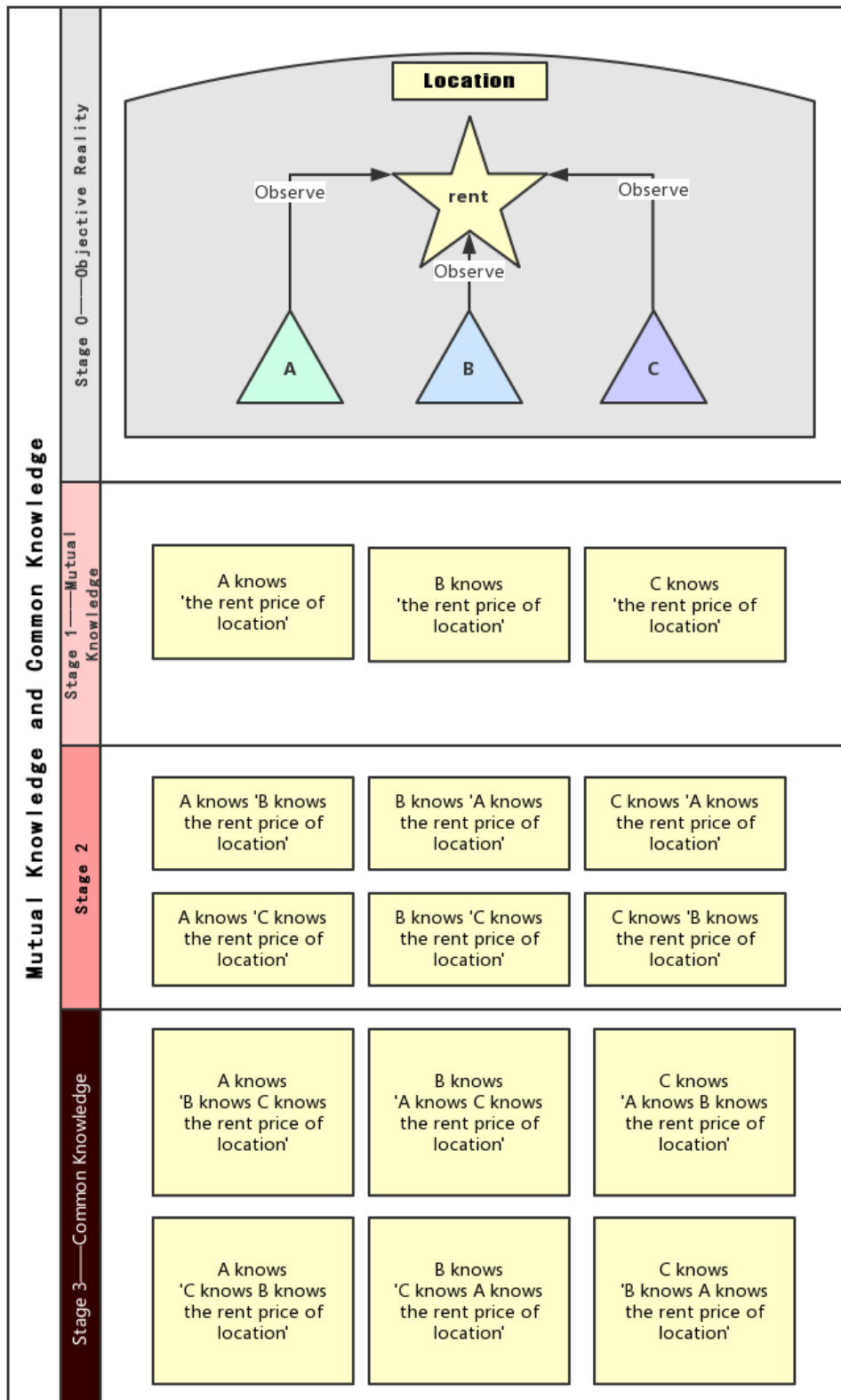
4.2.2 Evolutionary Game Theory

In order to analyse the strategy choices of relevant participants, evolutionary game theory was conducted to build a three-group dynamic evolutionary game model including government, developers and hotel operators. As defined by Sandholm (2007), ‘evolutionary game theory studies the behaviour of large populations of agents who repeatedly engage in strategic interactions.’

Evolutionary game theory was originally developed to address substantive questions by biologists and mathematicians (Maynard & Price, 1973; Maynard Smith, 1982; Taylor & Jonker, 1978). Economic theorists have found evolutionary games to be very useful for investigating the foundations of game-theoretic solution concepts, especially Nash equilibrium (NE) and selection among multiple NE (e.g. Binmore, 1991; Fudenberg & Kreps, 1993; Samuelson & Zhang, 1992). Both classical and evolutionary game theory attempt to explain different phenomena. However, the most obvious difference between them is that evolutionary game theory focuses more on the dynamics of strategy change, which is influenced by the frequency of the competing strategies in the population (Easley & Kleinberg, 2010). In other words, the classical game theory describes socially and temporally isolated encounters while evolutionary game theory concentrates on the population level regularities of macro-social behaviours. The participants in classical game theory are rationally motivated by the maxim payoff whose identity remains fixed during the course of play. On the contrary, the players in evolutionary game theory are constantly changing and not able to respond quickly with optimal reaction to changes in the economic phenomenon. Importantly, the central actor is a replicator, an entity having some means of making approximately accurate copies of itself through learning during the decision-making process.

The expansion of MHGs into China has a similar feature in which hoteliers have limited experience and uncertainty of the Chinese culture, especially in the initial stage. Due to the asymmetry of information, it is uncertain for hoteliers to predict the profit. Consequently, they have to make approximately accurate copies of others in the hospitality industry by observing, learning and imitating in practice. And it is the same problem for the government and developers.

Figure 4.1 Mutual Knowledge and Common Knowledge



Source: Author

4.3 Applications of game theory in various industries

According to (Levine, 2019), game theory is combined three economic theories: Decision theory, General Equilibrium theory and Mechanism Design theories. Decision theory is a theory to explain how a person selects his choice based on his income. General equilibrium theory is a theory to explain how a buyer selects a seller's product based on the seller's price. Mechanism Design theory is a theory to explain how a seller pays to his employees based on his pricing to buyers. Tversky and Kahneman (1992) developed the Decision theory into prospect theory that explains how a person selects his choice between alternatives based on their risks (happiness or wealth). John Keynes (1936, 2008) developed General Equilibrium theory in macroeconomics with unemployment and government spending devoted to the equilibrium between supply and demand. Hurwicz and Reiter (2006) developed the Mechanism Design theory that decided to sell or buy regarding their cost, tax, employee's salary, satisfaction and auction.

Despite the number of studies focusing on location strategy mentioned before and the number of examples regarding the application of game theory in various industries, there are relatively few studies attempting to apply game theory to solve the problem of spatial location. Game theory, as a bag of analytical tools, has significant implications on understanding the decision-making process (Osborne & Rubinstein, 1994). It is a common phenomenon to see that hotels tend to crowd into the same area near to tourism sites or have the propensity to locate on the same road junctions within central business districts (Woo and Mun, 2020). It would be more persuasive than if hotels spread themselves evenly out over the city or out over the block so that travellers are able to find accommodation wherever they happen to be. However, hotels tend to compete for customers in a certain area by crowding together rather than being out-competed by each other in terms of position. Actually, it is in line with the theory of the Median Voter Theorem, which is regarding political science that the candidates prefer to be squeezed towards the median voters by choosing positions very close to each other and close to the centre (Congleton, 2004).

4.3.1 Prisoner's Dilemma

Since the famous conceptual model, Prisoner's Dilemma, has been pointed out (Poundstone, 1993), game theory shows its ability to influence many situations involving cooperative

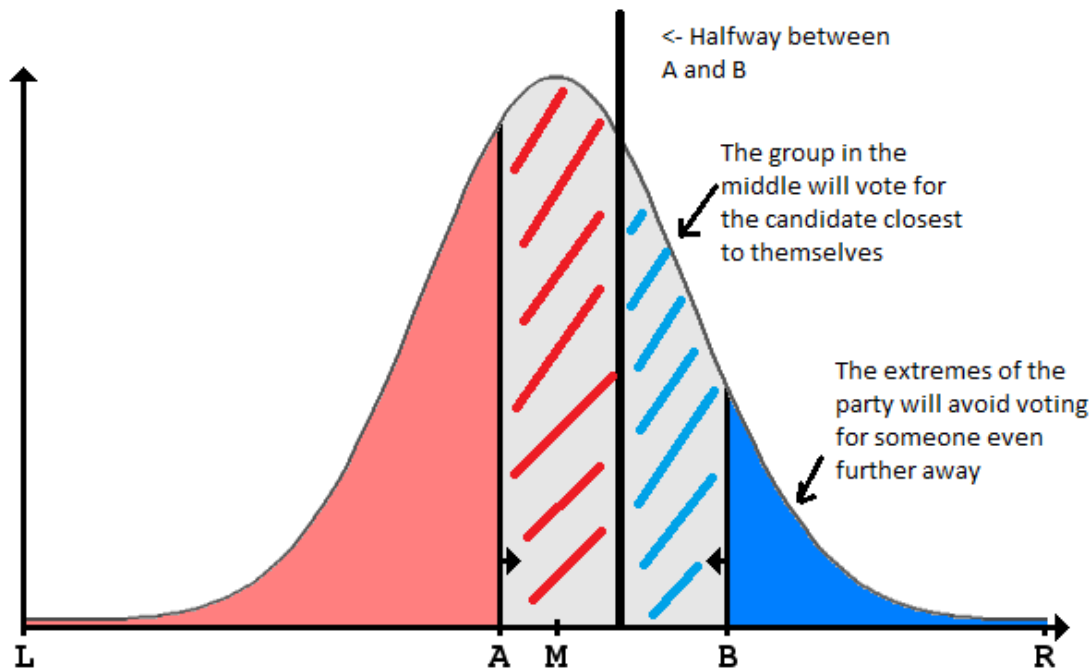
behaviour. It gives an incentive to solve many big issues such price competition, global warming and carbon emissions (Rehmeier, 2012). Mossetti (2006) reports that the model of a prisoner's dilemma game was applied to measure the social dilemma in sustainable tourism that rests upon the uncoordinated choices of selfish and profit-maximizing players. Şeremet et al. (2021) suggested the application of the Prisoner's Dilemma is able to optimise team cooperation, prioritising sustainability and investing in human resources regarding tourism education. Bhaumik et al. (2020) highlighted the usefulness of game theory in decision-oriented problems such as hotel recommendation systems. However, there can be seen as a limitation in the generalisation of this research which various problems require different degrees of preconditions. These studies inspired the author to extend their research in the hotel issues of MHGs in mainland China.

4.3.2 Median Voter Theorem

Median Voter Theorem (Morrow & Morrow, 1994) is another excellent application of game theory in political science and a good example of IDDS. As developed by Anthony Downs (1957), it is an attempt to explain why politicians on both ends of the spectrum tend to gravitate towards the philosophical centre. It describes a phenomenon that political candidates taking part in the election usually choose the centre policy among one-dimensional political spectrum which means that they always sit squarely in the middle of public opinion. A slight preference to either the left or the right would result in the outcome that opponents will take a more moderate stance to win the election. According to Figure 4.2, the red part represents the votes that candidate A have already captured. In the same token, the blue area is the territory controlled by candidate B. Therefore, it is rationalized that candidates A and B move toward the middle where median voter M stands on the spectrum so that they can get more votes.

Gailmard (2019) highlights the game-theoretic analyses in the American political environment by providing two broad approaches for understanding institutional choice and stability. Chen et al. (2017) revealed that the central government of China can leverage its political control on the regional government by appointing provincial leaders with asymmetric political status.

Figure 19 Median Voter Theorem



Source: Jamesoswald, 2013. Introduction to Government Failures. Available on <https://azmytheconomics.wordpress.com/2013/01/09/introduction-to-government-failures>. Accessed on 11th January 2018.

It is exactly the same idea with the assumption that guests can choose to check-in alternative hotels along a one-dimensional locational area. The payoff of hotels A and B is attempting to attract as many customers as possible. As shown in Figure 19, the current position of hotel A could acquire the volume of guests as large as the red area. And hotel B's market share in the area is marked by blue colour. In order to maximize their market share and profit, they will move toward the centre part where the M point stands. This explains the reason why hotels tend to crowd into the place where is close to tourism sites or central business districts rather than locate evenly out over the city. Indeed, it is a brief model attempting to explain the complexity of location strategy by applying game theory. Many basic assumptions are unrealistic such as there are more than one competitor in the regulated market and locational factors is not the only criteria for customers choosing the hotel. It is always the complex packing of factors such as cultural distance, the size of the market and the size of the firm that determine the hotel's locational choice (Andreu et al., 2017). However, it provides a line of thinking to rethink the determinants of MHGs expansion and a more sophisticated conceptual model will be given in the latter part of this chapter which is based on this simple and basic

idea.

Although there have been relatively few studies that have attempted to apply game theory to explain the profound meaning of location strategy, Steven (1961) is an exception who tries to provide a conceptual model for dealing with this real problem. In this model, it assumed that there are only two competitors bidding for location franchises along a turnpike. Although the result was disappointing that it gives a player no worse than a zero advantage except both sellers are equally adroit which is impossible in the real world, it still can provide insights and suggest approaches to the solution of location problems.

Inspired by the previous study, this thesis attempts to fill the blank of game theory applied in the hotel industry. Before a relatively meaningful exploration of the application possibility of game theory in solving location strategy among the hotel sector, the basic assumptions of the theory should be listed. Firstly, the decision-makers pursue well-defined exogenous objectives (Osborne & Rubinstein, 1994). It means that no matter what other people doing, the decision maker will pursue the maximum payoff. Secondly, decision makers consider other players' behaviour by using their knowledge or expectations. In other words, they reason strategically and take actions only after figuring out others' attempts. Moreover, the models of game theory are usually highly abstracted which is presented by many unrealistic basic assumptions. It is necessary to make abstractness since this allows to focus on the principal component.

4.4 Applications of Game Theory in Tourism

Back to the hotel industry, game theory has relatively backward development. It is hard to build a competition model for the overexploitation of resources in commons among the tourism industry (Wei et al., 2012). As Vail and Hultkrantz (2000) pointed out, that the 'cooperative game' is not capable to reduce conflicts of owners and tourists among land uses and benefits. However, the tourism industry has been received increasing attention regarding the application of game theory ranging from hotel pricing (Baum and Mudambi, 1995, Guo et al., 2013, Yan, 2014), service quality (Cachon and Netessine, 2006, De Pelsmacker et al., 2018), customer behaviour (Von Neumann and Morgenstern, 2007, Wei et al., 2012, Williams, 1977), marketing design (Roth and Wilson, 2019) and tourism development policy (Tran and Thompson, 2015, Weng and Li, 2017, Xuan et al., 2016).

By applying a game theoretical framework to the context of strategic interactions between competitive and complementary destinations within a region, Sheng (2011) suggested that

rational decision makers should choose moderate strategies instead of very aggressive one due to the sustainable development of the destination. In addition, local cultural characteristic has been found to influence the decision-making process. By the application of economic game theory, Xiang et al. (2012) suggested that national culture is a significant factor for organizational citizenship behaviour in the hotel industry, which is also supported by Turnipseed and Murkinson (2000). Moreover, through the application of game theory and time series methods, Xuan et al. (2016) has found that searching for information is crucial to the hotel managers to maximise profits. Godinho et al. (2018b) discussed the optimisation of hotel location by considering the reaction of competitors.

Considering the importance of hotel geographic location highlighted by previous research (mentioned in the previous Chapters) (Aksoy and Ozbuk, 2017, Elhoushy et al., 2020, Godinho et al., 2018a, Yang et al., 2015, Yang et al., 2017), few studies have applied game theory to solve this basic but inevitable problem for hotel companies (Chou et al., 2008, Godinho et al., 2018b, Lambertini, 1993, Shaked, 1982), especially in the context of the Chinese hotel market.

Facing the fierce competition in the Chinese hotel industry where has experienced an obvious development not only in the whole market size but also the structure of the industry (Gross et al., 2013a, Gu et al., 2012, Heung et al., 2008, Quer Ramón et al., 2017, Wang et al., 2020a, Yang et al., 2017), it is urgent to have a deep and insight view on the details of the location choice decision-making process.

4.5 Conceptual Framework

Based on the temporal model of location strategies, factors underlying the decision of MHGs have been identified at two broad levels (Firm-specific Advantages and Country-specific Advantages). With the identification of the potential roles of relevant stakeholders, local government and land developers, a theoretical structural model can be formed to assess the role of each group in selecting hotel property location.

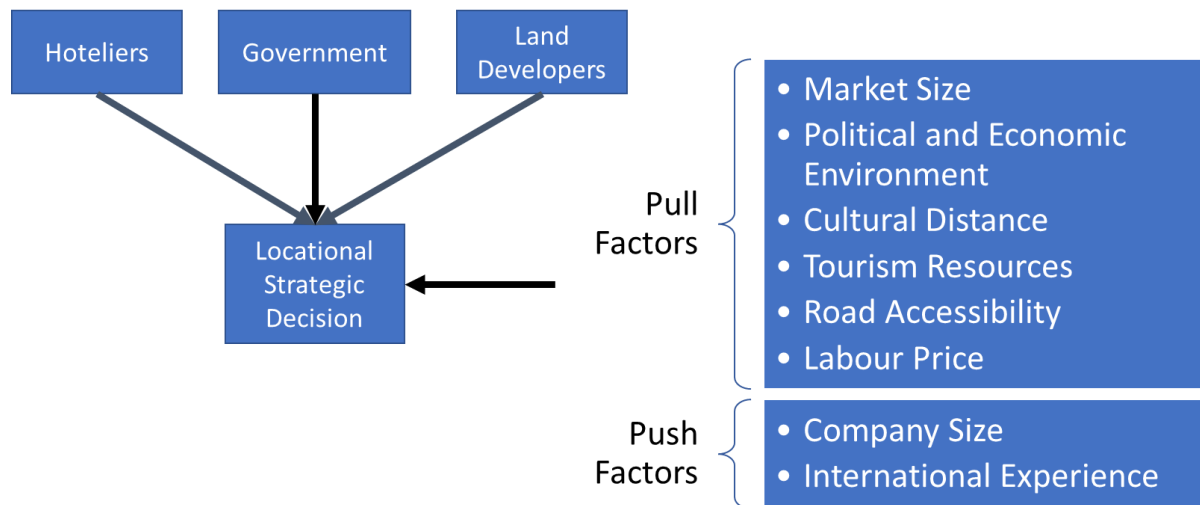
Table 11 Influential Factors on location strategies formulation

	Factors	Variable	Abbreviation	Primary Data Source
Dependent Variable	the number of multinational hotels	the number of multinational hotels in the pth city at time t.	MHG _{p,t}	MHG's Annual Report
Independent Variables	Company Size	Total Revenues	companysize	MHG's Annual Report
	International Experience	dummy variable (0=no international experience,1= has international experience)	experience	Author's calculation
	Market Size	measured by the number of inbound tourists to each city including Tier 1(4), 1.5(15), 2(30), 3(70), 4(90), 5(129) at t time	mstier1	China State Statistics Bureau; China Statistical Yearbook 1999 to 2017
			mstier1.5	
			mstier2	
			mstier3	
			mstier4	
	Political and Economic Environment	GDP per-city at time t	GDP _{p,t}	China State Statistics Bureau; China Statistical Yearbook 1999 to 2017
	Labour Price	Average Wage of Hotel and Catering Employed Persons at time t	labour	National Bureau of Statistics of China (NBS)
	Land Price	Average Selling Price of Houses for Business Use (yuan/sq.m)	landprice	National Bureau of Statistics of China (NBS)
Tourism Resources	the number of the national AAAA level scenic spots	tourismsite	China National Tourism Administration;Ministry of Culture and Tourism of the People's Republic of China	
Cultural Distance	dummy variable (0=no cultural distance,1=has cultural distance)	culture	Author's calculation	
Road Accessibility	the road accessibility of property whether has underground station in 2km radius of the hotel	road	Author's calculation	

Source: Author

As it is clearly presented in Table 11 above, Firm-specific advantages have been identified as company size and international experience while country-specific advantages have been illustrated by market size, political and economic environment, labour price, land price, tourism resources, cultural distance, and road accessibility. It is conceptualised in the following figure with the highlight of relationship between hoteliers, government and land developers.

Figure 20 Conceptual Framework of Decision-making process



Source: Author

It is supposed to start with the identification of each group’s interests and influential factors, followed by the communication between hoteliers, developers and government. However, it should be noted that each group might have different goals or interests. For example, it might be the government developing a goal for the infrastructure building such as road accessibility. And it is also the government duty to secure the stability of the political and economic environment. Land developers are the owner of the property so it might be a negotiation between hotelier and land developers. Hoteliers can be seen as the traditional MNEs who are aiming to enter into the foreign market and seek an alliance with the local partners. Therefore, it is the priority for hoteliers that the attractiveness of location. With regard to the potential relationships among the constructs, it is able to propose the equation models for this decision-making process (see Chapter 5).

4.6 Conclusion

Game theory has been widely accepted in various industries and receiving increasing attention in the hotel industry. Following a further justification of the significance of understanding the location strategies of MHGs in China, this chapter attempts to identify the significance of game theory and its functions during this decision-making process. It is able to simplify the discussion process and address the interests of players during the game. In other words, game theory is possible to provide another perspective regarding the locational issues by looking at the reactions from relevant stakeholders instead of thinking of it as MHGs making the decision alone.

Previous studies have largely considered the locational strategies of MHGs as the activities seeking market opportunities or decisions made by top managers of hoteliers. However, it ignored the influence of government on this decision-making process. With the increasing trend of using the asset light business model, it is also important for MHGs to consider the role of property owners (land developers) in order to make the right location choice. Nevertheless, it has been argued that the existing literature has rarely paid attention to the role of land developers.

With the identification of specific factors underlying location strategies as well as the role of relevant stakeholders, this chapter presents a theoretical structural model for the current study. In addition, through addressing the potential relationships between hoteliers, government, and land developers, the proposed models are assumed to shed light on the specific situation of MHGs in mainland China. Furthermore, with particular concern to the context of mainland China, this model is suggested to reveal the details of location strategies decision-making process.

Chapter 5 Methodology

5.1 Introduction

Following the formation of the conceptual framework proposed in the previous chapters, this chapter sets out the considerations about the research methodology employed for the current study. According to Mason (2002) the adopted research methods reflect the logic and rationale of the investigation, supporting the ontological and epistemological perspectives of the nature of this inquiry. Different methodological approaches rely on various philosophical assumptions and indicate what constitutes the best research (Neuman, 2013). In view of the differences between quantitative and qualitative, the methodology considered mixed methods, alongside primary and secondary data collection.

Consequently, the chapter is organised into four sections to effectively elaborate the information presented. It starts with a discussion of the research philosophy and paradigm behind the methodology. The chapter then illustrates the rationale for the design of the research, before mapping the entire research process for the current research. Following on from this process, it describes the semi-structured interviewing and sources of secondary data used within the study including data collection methods and data analysis methods in detail.

The methodology resulted in 15 in-depth qualitative semi-structured interviews being conducted and analysed with the top managers in different hotel corporations, directors of land developers and officers in the land administrative bureau. The interview all lasted between 20 minutes and 30 minutes within specific questions. This resulted in a wealth of information being collated which highlight the importance of the game among the hoteliers, land developers and government.

5.2 Philosophical Position and Paradigm of Inquiry

5.2.1 The Research Philosophy

Philosophy has been regarded as ‘the use of reason and argument’ during the process of seeking truth and knowledge, especially for ‘the ultimate reality and general causes and principles’ (Oxford Compact Dictionary and Treasures, 1997:557). According to Waite and Hawker

(2009:685), philosophy is ‘a set or system of beliefs’ regarding ‘the fundamental nature of knowledge, reality, and existence’. It is claimed by Neuman (2013) that understanding the different methodological approaches is crucial for the scientific research since it is possible to create ‘a new and valuable type of knowledge about human relations’ by the combination between ‘rigorous, systematic observation of the social world’ and ‘careful, logical thinking’. Saunders, Lewis and Thornhill (2012) have the same argument that research philosophy can be defined as the assumptions about the way people view the world. Based on the argument pointed out by Collis and Hussey (2013), the way is identified as a research paradigm which is ‘a philosophical framework’ guiding how scientific research should be conducted.

5.2.2 The Paradigm

Kuhn (1962) emphasized that ‘paradigms are universally recognized scientific achievements that for a time provide model problems and solutions to a community of practitioners.’ It is due to that cognitions about reality and the nature of knowledge has changed over time resulted in the appearance of new paradigms in response to the perceived inadequacies of earlier paradigms (Collis and Hussey, 2013). As described by Neuman (2013), a ‘paradigm’ is a system of thinking including basic assumptions, crucial questions and puzzles to be answered, the research techniques to be implemented and a model of what the adjustable scientific research is like.

The answers to three fundamental questions, including the ontological question, epistemological questions and methodological questions relate directly to the major approaches applied in social science research. There are three approaches, positivist social science, interpretive social science, and critical social science, which are consistent with different social theories and various research techniques (Neuman, 2013). Based on the argument pointed out by Guba and Lincoln (1994) and Lazar (1998), inquiry paradigms define for researchers what locates within and outside legitimate inquiry, which is also deemed as basic beliefs or what the nature of reality is; how it may be known; and that these beliefs consist of the three fundamental questions mentioned above. Ontology concerns the issue of what exists, or the fundamental nature of reality (Neuman, 2013). Epistemology refers to the relationship between the researcher and the phenomenon being studied, or what can be known (Veal, 2011). The methodology is about the ways by which knowledge and understanding are established (Veal, 2017a). A brief conclusion of these terms is presented in Table 12 below.

Table 12 Terminology

Terms	Brief Definition
Ontology	Way of looking at the world.
Epistemology	Relationship between researcher and the subject of research.
Methodology	Ways of gathering and analysing data.
Positivist	Hypotheses are tested using objectively collected factual data which, if successful, produces scientific laws.
Post-positivist	Hypotheses found to be consistent (or not) with the data deemed to be 'not falsified', establishing probable facts or laws.
Interpretive	People provide their own accounts or explanation of situation/behaviour.
Critical	Research influenced by beliefs/values critical of the status quo in society.
Constructivist	People construct their own views of reality and the researcher seeks to discover this.

Source: Adapted from (Veal, 2017b).

The five major paradigms of inquiry are named as positivism, post-positivism, constructivism, interpretive, critical and constructivist (Bryman, 2008, Guba and Lincoln, 2006, Neuman, 2013, Saunders et al., 2009, Veal, 2017b)), as shown in Table 5.1. The work of Smith & Dainty (1991) demonstrates that paradigms can be combined together in order to answer the research questions. Additionally, it is the research question that has the decisive position to make all methodological decisions. Hassard (1988) poses the question that whether multiple research approaches can be combined by researchers simultaneously avoiding the danger of confusion and inconsistency due to there are so many paradigm schemes. The findings of Smith and Dainty (1991) shows that despite the arrangement of paradigms, the main criterion for choosing the right paradigm is whether it is suitable for methods to investigate a problem, not for a problem to fit acceptable research methods.

It is suggested that various views could be held by different social scientists during research studies (Collis & Hussey, 2013). As shown in Table 13, it illustrates the gradient change among two core assumptions and the associated research methods for the six categories identified by the responses to the three fundamental questions (Collis & Hussey, 2013).

Table 13 Paradigms of inquiry

Philosophical assumption	<div style="display: flex; justify-content: space-between; align-items: center;"> Positivism ← → Interpretivism </div>					
Ontological assumption	Reality as a concrete structure	Reality as a concrete process	Reality as a contextual field of information	Reality as a realm of symbolic discourse	Reality as a social construction	Reality as a projection of human imagination
Epistemological assumption	To construct a positivist science	To construct systems, process, change	To map contexts	To understand patterns of symbolic discourse	To understand how social reality is created	To obtain phenomenological insight, revelation
Methodology	Experiments, surveys	Historical analysis	Interpretive contextual analysis	Symbolic analysis	Hermeneutics	Exploration of pure subjectivity

Source: Adapted from Collis and Hussey (2013).

Reviewing the table above, it is starting with the extreme positivist who believes that the social reality is a concrete structure. The researcher can attempt to discover the reality by implementing experiments or surveys, as it is external and real without depending on human consciousness. However, the extreme interpretivist who assumes that reality is a projection of human imagination. In other words, the social world is not independent of the individual's mind. Despite the extreme positivist and interpretivism, there exist several stages of paradigms such as constructivism, in which reality is regarded as a concrete process where the social world is continually being accomplished by social actors (Bryman, 2016). Pragmatism, although is not committed to any one system of philosophy and reality, has been widely accepted as the third research paradigm by researchers (Collis & Hussey, 2013). According to Mckerchar (2009), a researcher should be flexible enough to choose the most suitable paradigm according to the distinctive nature of different research problems instead of being constrained by a single paradigm.

In the meantime, the ontological position is supported by the epistemological perspective. Based on Mason (2002), epistemological perception can generate knowledge and explanations about the ontological components of social reality. It is now generally accepted that the investigator and investigated object are independent without influencing each other (Denzin & Lincoln, 2011; Guba & Lincoln, 1994). Consequently, the legitimate and meaningful data in the hospitality industry could be collected through rigorous scientific methods by corroboration or falsification of factual evidence (Tribe, 2009) which has also indicated that the involving of quantitative methods is advisable. In order to ensure consistency, the current study remained ‘ontological meaningful, and epistemologically explainable’ (Mason, 2002).

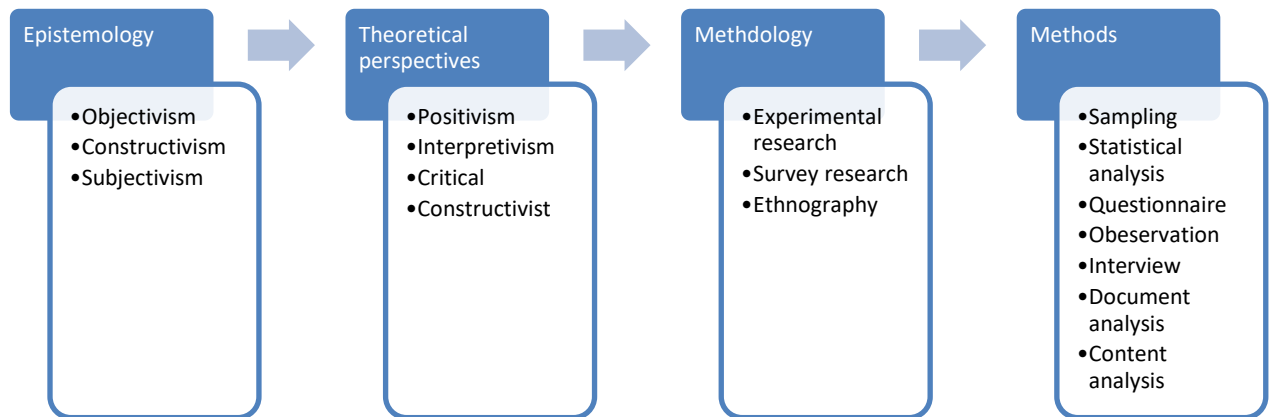
This study’s research question fundamentally considers the factors for MHGs who intend to expand into the inland of China, particularly in the sub tier cities like Hangzhou, instead of the metropolises such as Beijing and Shanghai. Ontology and epistemology have a great influence on this research since they proved that the nature of the phenomena could be studied, and the evidence could be represented the phenomena (Bryman, 2016). As presented above, epistemology questions are regarding the perception insisted by the researcher as evidence and knowledge of the social world based on the ontology position.

Veal (2011) has argued that positivism can be said to be still dominant in tourism while interpretive research is becoming increasingly frequent. This finding is congruent with the work of Phillimore and Goodson (2004), which states that positivist and post-positivist paradigms are generally accepted by tourism researchers, although there are many debates on quantitative and qualitative research.

5.2.3 Research Perspective: Logic and Rationale

It is demonstrated by Crotty (1998) that, there is an interrelationship between the theoretical stance adopted by the researcher, the methodology applied, and the researcher’s view of the epistemology, which is presented in Figure 21. The selection of research methods will be influenced by the applied methodology. The methodology is decided by the theoretical perspectives adopted by the researcher. And the position of the researcher’s epistemological stance has a decisive impact on his or her view of theoretical perspectives.

Figure 21 Relationship between epistemology, theoretical perspectives, methodology and methods



Source: Adapted from (Gray, 2013).

The current research focused upon the factors that influence the selection of new hotel property during the expansion of MHGs in China. Hence, the reasoning and justification for the methodology was depended upon the assertion that involved people, including hoteliers, developers and local government, held actions, reactions and behaviour, which were regarded as meaningful components of the social world (Mason, 2002). With the identification of research gaps and needs, it highlights the importance of game theory and its application in the hospitality industry in the decision-making process of the new hotel property selection. More specifically, it is explained that the research aims to explore the determinant factors affecting the selection of location among the game between government, real estate investors and hoteliers through building the econometric model, as well as the results of the regression. By reviewing previous research, a number of research hypotheses were constructed based upon the theoretical framework. In view of these questions, the ontological position adopted for this research is critical realism, meaning that reality is assumed to exist but to be only imperfectly apprehendable (Guba & Lincoln, 1994). The post-positivism approaches refers to the hypotheses found to be consistent with the data that are deemed to be ‘not falsified’ (Veal, 2011). The ontological position indicates that it is a reality out there, steered by immutable natural laws (Tribe, 2009). However, all observation is fallible and has an error and that all theory is revisable (Creswell, 2013) and the researcher is actively engaged in constructing meaning (Silverman, 2006). The human interaction between the interviewer and respondent asks the researcher to pose questions, listen to the responses and pose new questions (Gray,

2013).

As an efficient tool for eliciting rich data on people's views, attitudes and the meanings that underpin their lives and behaviours, interviewing has been regarded as the most logical research technique which can utilize open-ended questions to gather information (Cohen & Manion, 2000; Gray, 2013). And the data are not simply representations of the world but part of the world they describe (Silverman, 2006). It is argued that realities existing in the form of mental constructions are depended on the persons who hold them (Hollinshead, 2004), which allowed the human interaction to count as evidence of the social reality.

However, it should be noted that the epistemology position of the current study is not at the dualism stance. As Bryman (2016) states that, culture has a reality that 'persist and comes before the participation of people and shapes their perspectives, but it is not an inert objective reality that only possesses a sense of constraint: it acts as the point of reference but is always in the process of being formed'. Therefore, hotel managers' opinions about the locational strategy will also be influenced by the government and land investors. It simultaneously represents the ontological position which supposes that people employ categories to help them understand the social world through interaction. In other words, representational of research aims, the ontological position proposes that hotel managers' 'knowledge, views, understanding, interpretations, experiences, and interactions are meaningful properties of the social reality' (Mason, 2002:63). It is suggested that hotel managers' perspectives about the process of making the decision about new hotel properties can be influenced by the nature of the social reality within nowadays Chinese different destinations including economic growth, population, and market size. This reality is objective and external to the researcher (Collis & Hussey, 2014). And the reality is discoverable and totally understandable (Howell, 2013).

5.3 Research Approach

Different paradigms lead to various methods conducted in the research. For instance, realism gave way to positivism and idealism gave way to what we are loosely referring to as interpretivism (Collis & Hussey, 2013). However, as Gray (2013) pointed out that the social and behavioural sciences have been dominated by positivist and interpretivist schools of thought, which has resulted in a 'great divide' between what have become often hostile, antagonistic camps. That brings in the issue of the notion which academics have generally accepted that the quantitative and qualitative research approaches are mutually incompatible

(Gray, 2013). According to Creswell (2013), three different types of research approaches, quantitative, qualitative, and mixed methods, provide researchers with an array of different thoughts. Quantitative and qualitative, which were believed as two seemingly opposite approaches to research, can substantially support and complement each other (Gray, 2013).

5.3.1 Differences between quantitative and qualitative research

Before exploring the suitable research approach for the current study, it is necessary to discuss the differences between quantitative and qualitative methods. It is clearly presented in Table 14 below. Quantitative research is an approach involving the quantification and statistical analysis of data, aiming to test hypotheses or draw conclusions from numerical evidence (Creswell, 2013; Neuman, 2013; Veal, 2011). It is usually associated with the positivism paradigm and directed by the deductive approach (Bryman, 2016). The data can be collected from questionnaire surveys, from observation involving counts, or from administrative sources (Veal, 2011). The qualitative approach to research is an approach involving information in the form of words, conveyed orally or in writing (Veal, 2011). It is generally connected with the constructivism paradigm and typically adopts the inductive approach.

Table 14 Differences between quantitative and qualitative methods

Item	Quantitative Methods	Qualitative Methods
Epistemological positions	Objectivist	Constructivist
Relationship between research and subject	Distant/Outsider	Close/Insider
Research focus	Facts	Meanings
Relationship between theory/concepts and research	Deduction/Confirmation	Induction/Emergent
Scope of findings	Nomothetic	Ideographic
The nature of data	Data based upon numbers	Data based upon text

Source: Adapted from (Gray, 2013)

Although quantitative research has been widely used in academic research, especially in much of leisure and tourism research (Veal, 2011), criticisms of quantitative research cannot be overlooked. Quantitative researchers claim that relying on numerical data could generate objectivity and detachment. However, it simultaneously separates the researcher from access people's social and cultural constructions of their 'reality' (Guba & Lincoln, 1994; Silverman, 2000). In addition, quantitative researchers still cannot avoid defining the variables or explaining correlations by using common sense reasons (Gray, 2013).

Reviewing the problems raised above, mixed methods research proposed by previous researchers such as Greene et al. (1989) refers to an approach that includes at least one quantitative method and one qualitative. It aims to draw strengths from both quantitative and qualitative approaches and minimises their weaknesses. Greene et al. (1989) argued that mixed methods is neither type of method inherently linked to any particular inquiry paradigm. However, some argue that pragmatism is closely connected with this research approach (Johnson & Onwuegbuzie, 2004; Onwuegbuzie & Leech, 2005), although pragmatism is not committed to any one system of philosophy and reality (Collis & Hussey, 2013). It is philosophically argued that mixed methods research can be sorted into the pragmatic method and system, based on a view of knowledge as being both socially constructed and based upon the reality of the world we experience and live in (Johnson et al., 2007).

5.3.2 Mixed methods research

5.3.2.1 Types of mixed methods

Mixed methods research has been increasingly regarded as the third major research approach or paradigm (Johnson et al., 2007), although it is not an easy question (what it is) to answer, especially the paradigm. A number of researches implemented by previous researchers such as Bryman (2007) and Johnson et al. (2007). Specifically, (Creswell et al., 2003) defined mixed methods as 'the collection or analysis of both quantitative and qualitative data in a single study in which the data are collected concurrently or sequentially, are given a priority, and involve the integration of data at one or more stages in the process of research'. The last few years have seen an increased interest in mixed methods, especially in the work of cultural anthropologists and fieldwork sociologists (Gray, 2013).

According to Greene et al., (1989), five types of mixed methods are identified by the purposes of using a combination of methods, namely: triangulation, complementarity, development,

initiation, and expansion (see Table 16 below). It should be mentioned that triangulation is contrasted with complementarity as the second one is using different methods to assess the same conceptual phenomenon. However, triangulation is combining methods without the limitation of one method (Gray, 2013).

Table 15 Types of Mixed Methods

Purpose	Rationale
Triangulation: Seeks convergence, corroboration, correspondence of results from different methods.	To increase the validity of constructs by counteracting or maximizing the heterogeneity of irrelevant sources of variance attributable to inherent method bias, inquirer bias or biases in inquiry context.
Complementarity: Seeks elaboration, enhancement, illustration, clarification of results of one method with the results from the other method.	To increase the meaningfulness and validity of constructs by capitalizing on inherent method strengths and counteracting inherent method biases.
Development: Seeks to use the results of one method to help or inform the other method.	To increase the validity of constructs and inquiry results by capitalizing on inherent method strengths.
Initiation: Seeks the discovery of paradox and contradiction, new perspectives, the recasting of questions or the results from one method with questions or results from the other method.	To increase the breadth and depth of inquiry results interpretations by analysing them from the different perspectives of different methods and paradigms.
Expansion: Seeks to extend the breadth and range of inquiry by using different methods from different inquiry components.	To increase the scope of inquiry by selecting the methods most appropriate for multiple inquiry components.

Source: Greene et al., 1989 cited in Gray, 2013.

In the current study, triangulation and development mixed methods research were employed. As the logic and rationale mentioned above, the choice of mixed methods approach is suitable for the current study. It allows the researcher to simultaneously generalize from a sample to a population and to gain richer, contextual understanding of the phenomenon being researched (Hanson et al., 2005). On the one hand, quantitative research allows researchers to identify relationships between variables. On the other hand, qualitative research is useful in analysing concrete cases in their 'temporal and local particularity' (Flick, 2006). The results of qualitative method are used to inform the development of the quantitative by identify the key indicators and clarifying concepts.

5.3.2.2 Types of triangulation

The study carried out by Webb et al. (2000) claimed that triangulation, two or more independent measurement process, could greatly reduce the uncertainty in analysing data. Triangulation is literally the idea that looking at something from multiple points of view improves accuracy (Neuman, 2013) originating from surveyors and sailors measuring distances between objects by taking observations from multiple positions. It was Denzin (1978) who defined those between-methods triangulations as the research approach involving both quantitative and qualitative methods. The work of Denzin (1978) also demonstrates that between-methods triangulation is the most powerful tool as the weakness of methods from one paradigm could be counter-balanced by the methods from the other (Gray, 2013; Jick, 1979). Drawing on the work of Easterby-Smith et al. (2012), Collis and Hussey (2013) highlight that there are four main types of triangulation based on the potential elements during research studies (see Table 17).

Table 16 Different Types of Triangulation

Types of Triangulation	Description
Triangulation of Theories	A theory is taken from one discipline and used to explain a phenomenon in another discipline.
Data Triangulation	Data are collected at different times or from different sources in the study of a phenomenon.
Investigator Triangulation	Different researchers independently collect data on the same phenomenon and compare the results.
Methodological Triangulation	More than one method is used to collect and /or analyse the data, but it is important to choose them from the same paradigm.

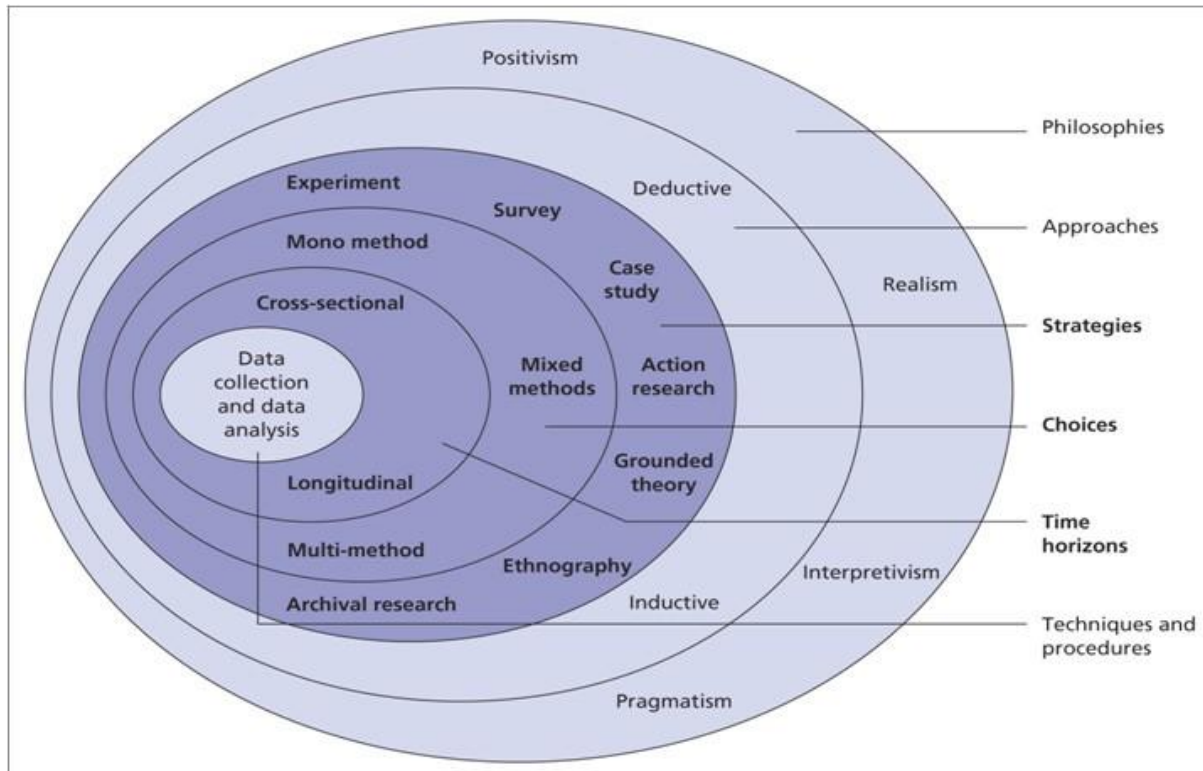
Source: Adapted from Collis and Hussey (2013).

Methodological triangulation has been regarded as the most widely used type of triangulation (Hastings & Salkind, 2013; Joslin & Müller, 2016), as it refers to the multiple methods to study a research problem. With the consideration of both qualitative and quantitative methods simultaneously, this type of triangulation uses at least two data collection procedures from the same designing approach (Denzin, 1970).

According to Saunders et al. (2009), the research philosophy, approaches, strategies and techniques can be summarised into the research onion in the figure below. For this study, theories triangulation and methodological triangulation are both applied during the research, in which game theory is used to explain the specific locational decision-making process in the hotel industry while data were collected at different times from different databases. By using individual interviews, qualitative data were collected from the industry in order to have a comprehensive and updated industrial view on the determinants factors of hotel property for MHGs in mainland China. In addition, secondary data were collected from the NBSC and industrial databases in order to have a detailed and precise understanding of the numerical

relationship between these determinants factors.

Figure 22 Research Onion



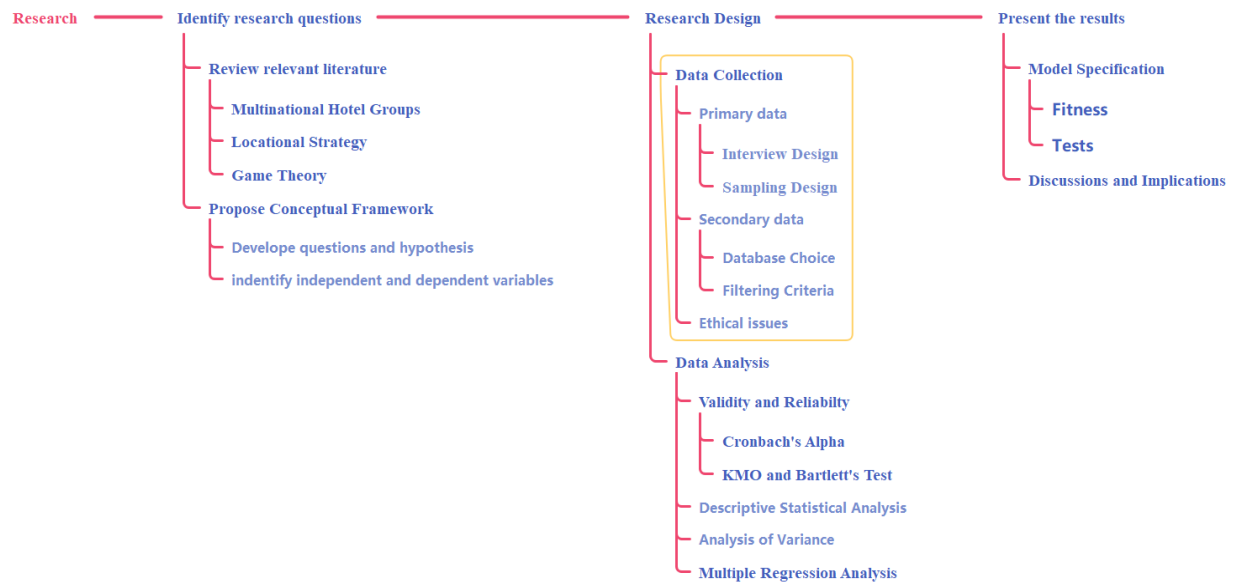
Source: Saunders et al. (2009).

5.4 Research Process

Scientific research should involve precisely defined and measured variables, representative samples, data collection and statistical analysis which ask that the research process must be controlled, rigorous, systematic, valid and verifiable, empirical and critical (Kumar, 2014). With the identification of the research aims and objectives, Figure 23 below shows the whole research process of the current study starting from the identifying research questions and ending with the writing up of the thesis. It begins with reviewing the existing literature including several research fields such as MHGs, location strategies and game theory. And it then provides a conceptual framework highlighting the research questions and hypotheses followed by the identification of dependent and independent variables in the research. As for the research design stage, it can be seen in Figure 22 that there are two major issues which are data collection and data analysis (Saunders et al., 2009, Veal, 2017b). It includes primary and

secondary data collection such as the interviewing design and database choices. In terms of data analysis, this study used a three-step approach to quantitatively analyse the secondary data.

Figure 23 Research Process



This section focuses on the main body of the research including choosing the research method, sampling for interviews, designing interviews, developing and revising interview questions, analysing the results of the interview, collecting secondary data, and analysing data. As mentioned before, it is divided into two stages according to the method applied in each period. In other words, it could be argued as a qualitative and then quantitative mixed methods approach. According to Gray (2013), this common approach occurs when the results of a qualitative study are used to inform the quantitative research stage. It is relatively impossible to use quantitative methods to analyse in circumstances where minimal or nothing is known about the research setting or research problems, since the object of study being measured is either unknown or not sufficiently understood (Gray, 2013). Based on the result of the qualitative study, it is possible to explore, identify and clarify the kinds of variables requiring further investigation.

5.5 Stage One: Primary Data Collection by Interviewing

A qualitative research method, specifically a semi-structured interview was selected as the main research method to collect the primary data in stage one of the current study. In order to realise the social reality experienced by hosts through reflection (Kvale, 1996), an in-depth interview, referred to as semi-structured, is considered to be the most renowned way of

qualitative research method, characterised by its length, depth and structure (Easterby-Smith et al., 2012; Gray, 2013; Hollinshead, 2004; Mason, 2002; Veal, 2011). As Arksey and Knight (1999) commented that interviewing is a powerful way for people articulating their ‘tacit perceptions, feelings and understandings’. In a similar vein, Gray (2013) highlighted that the use of semi-structured interviews provides the researcher with more detailed responses as the respondent is asked to clarify what they have said.

5.5.1 Different Types of Interviewing

Interviewing, as a phenomenological approach, has great effectiveness especially for that people may enjoy talking about their work rather than filling in questionnaires (Gray, 2013). It could be divided into five categories, structured, semi-structured, non-directive, focused, informal conversational interviews (see Table 17 below). By using prepared questionnaires and standard questions, structured interviews provide the interviewer with a standardized schedule (Veal, 2011). The interaction between interviewer and respondent is, as far as possible, expected to keep to a minimum (Gray, 2013) in a bid to avoid the situation where the interviewee is directed by the interviewer (Veal, 2011).

Table 17 Merits and Defects of Different Types of Interviews

Interviews	Merits	Defects
Structured	Quick to data capture on a standardized schedule	Interaction between interviewer and respondent is kept to a minimum.
Semi-structured	Probe for more detailed information	Time-consuming
Non-directive	Respondents are allowed to talk freely around the subject	The researcher must have a notion of the objectives of the research as questions are not generally pre-planned.
Focused	Probe certain issues in more depth	Usually hard to analyse.
Informal conversational	The most open-ended form of interview technique	The danger of the 'interview effect'

Source: Adapted from Arksey and Knight (1999) and Gray (2013)

As shown in Table 17, semi-structured interviews, as a non-standardized phenomenological approach, allow for probing further deeply of views and opinions in respondents. Pre-planned questions could be adjusted according to the process of each interview and some of them may even not be raised. In addition, the array of questions may also be changed according to the progress of each interview. The flexibility of semi-structured interviews is also represented by the requirement of additional questions (Gray, 2013). The interviewer may discover new issues during the interview which were not expected at the beginning. However, semi-structured interviews are deemed to be slow and time-consuming to capture and analyse (Arksey & Knight, 1999).

Non-directive, focused and informal conversational interviews are unstructured interviews, in which the researcher could use open-ended questions to involve full interaction with research informants (Veal, 2011). Non-directive interviews allow respondents to talk freely around the subject while the interviewer only interrupts at any doubtful points and rephrases answers to

check for accuracy of understanding (Gray, 2013). It is the requirement that the interviewer must have a notion of the objectives of the research in order to keep focusing on the issues. As for the focused interview, it facilitates to probe the certain issue in more depth (Gray, 2013), since the interviewer has already analysed the interviewee's situation. However, the results of focused interviews are usually hard to analyse as the approach is based upon the informant's subjective responses. Informal conversational interviews have been regarded as the most open-ended form of interview technique due to their flexibility (Gray, 2013). However, the bias of the result might be affected by the danger of the 'interviewer effect', which the interviewer may lead the direction of the interview with a subjective unconscious mind.

5.5.2 Semi-structured Interviews

From an ontological perspective, an exploratory investigation into the hotel industrialist perceptions of the locational issue in mainland China would require a qualitative interview instead of a quantitative one which could only provide limited information (Brunt & Courtney, 1999). For the current study, the application of interviews is following the argument pointed out by Cohen and Manion (2000) that the interview can be used to gather information about the respondent's knowledge, values, preferences and attitudes while also possible to identify variables. As part of the current research, qualitative techniques were used to identify the key indicators and inform the certain concepts which will be used in the more extensive quantitative study later.

This methodological decision also supported the ontological and epistemological position of the research through the perceptions of respondents reflecting the social reality within a hotel property selection process. Respondents were encouraged to inform truthful encounters and experiences through the interview in order to test hypotheses found to be consistent with the data deemed to be 'not falsified' (Guba & Lincoln, 2006).

The conversation has been widely agreed as a basic mode of human interaction (Kvale, 1996), which is conducted by posing questions and answering questions. Therefore, the technique was believed as a suitable tool for collecting data while compared with other available research methods. After all, the purpose of the interviews is to obtain 'descriptions of the life world of the interviewee with respect to interpreting the meaning of the described phenomena' (Kvale, 1996).

Qualitative interviews are conducive to the researcher to explore general topics to uncover the

participants' views on a certain subject matter. It should be noted that the participant's perspective on the phenomena of interest should unfold as the participant views it, not as the researcher views it (Williams, 2007). Therefore, there was room for variation to occur with the semi-structured interviews.

Qualitative interviews only have the capacity for individuals to construct or reconstruct emotions and thoughts within the interviews. To implement a suitable research strategy for the collection of primary data, it is crucial to consider the values and practical considerations which influenced the construction of this social research. Alongside the epistemological and ontological perspectives, theory played a critical role, in addition to the values and practical considerations. Values established the beliefs of the researcher, while the practical considerations influenced decisions about how research should be carried out.

A semi-structured approach was employed to questioning with the consideration. All respondents were asked a similar set of pre-established questions about the research topic (Hollineshead, 2004). However, there was still variation in the ordering and the structure of the interview. According to the suggestion made by Veal (2011), this form of interviewing was selected due to the best fit of the research setting and the nature of the investigation when considering its length. This conclusion was reached as the investigation was concerned with an individual's ability to generate knowledge and explanations of their interpretations, experiences, and interactions with the hospitality industry, and thus represented the social reality experienced by hosts. Open questions were therefore asked and were answered on the basis of the knowledge the interviewees had at hand (Flick, 2002).

The topic structure was taken from the analysis of the literature review and the conceptual framework. The content for the conversation was also originated from the deduction based on the previous research. The questions asked can be viewed in Appendix One. Consequently, the aim of the interviews was to explore the views of industrialists regarding the factors influencing the strategy of MHGs when expanding into the Chinese market.

As a result, the methodology also aimed to integrate data to provide a more qualitative and developed view of places and factors as suggested by. Such integration allowed the researcher to identify the full social, economic and physical characteristics of the game between hoteliers, land developers and the government.

5.5.3 Interview Questions Design

Regarding the aims and objectives this study pursued, the connection between them and each interview question has been presented in the following table. The interview questions are designed by the guidance of research aims and objectives presented in the first chapter which are simply but clearly presented in the first two columns in Table. The questions are actually inspired and supported by the previous researchers' studies shown above. There is a cross-correlation between each objective and question. However, it can be found a clear interior logic and main line of these questions.

Table 18 *The connections between interview questions and objectives*

Aims	Objectives	Interview Questions	Sources
1	1.2	B1-1, B1-2, B2-2, B3-1, B3-2, B3-4	Alon et al., 2012; Andreu et al., 2017; Chan & Yeung, 2009; Clarke & Chen, 2007; Furst & Cable, 2008; Gross et al., 2013; Yang, 2011; Harrison & Enz, 2005
	1.3	B2-1, B2-3, B2-4, B3-1, B3-2	Alon et al., 2012; Simmons & Schindler, 2003; Gu et al., 2012; Rhou & Singal, 2016
2	2.1	B2-5, B3-1, B3-2	Alon et al., 2012; Brown et al., 2003; Contractor & Kundu, 1998a; Erramilli et al., 2002; Ivanova & Ivanov, 2013; Gross et al., 2013; Guillet et al., 2011; Heung et al., 2008; Pine & Qi, 2004; Wei, 2004
	2.2	B2-1, B2-2, B2-3, B2-4, B2-5, B3-1, B3-2, B3-3, B3-4, B3-5, B3-6	Alon et al., 2012; Andreu et al., 2017; Brown et al., 2003; Chan & Yeung, 2009; Clarke & Chen, 2007; Contractor & Kundu, 1998a; Erramilli et al., 2002; Gross et al., 2013; Gu et al., 2012; Guillet et al., 2011; Harrison & Enz, 2005; Heung et al., 2008; Rhou & Singal, 2016; Pine & Qi, 2004; Wei, 2004

Source: Author

The questions of the interview are grouped and structured in three main parts, which is designed following Cooper and Schindler (2008). There are three main categories of questions as below:

- background information
- decision-making process
- influential factors

The influence of employees' experience has been repeatedly emphasized (Furst & Cable, 2008). Therefore, it is rationally to have the background information of interviewees firstly, which will represent his or her stand position for thinking and presenting. The main reason for utilizing the semi-structure interview method for data collection is to identify the decision-making process model among the MHG's location selection by hearing from the industrialists instead of the academic researchers.

In Block 1, it relates to the respondent's background information where the participants were asked to identify the type and condition of participants. Different conditions or positions of interviewees would have caused various results of interviewing due to their own experience (Wong and Liu, 2010). Therefore, the selection of appropriate respondents was undertaken with the help of researchers and fellows in the industry to identify a diverse sample. It can be confirmed that there is a department responsible for the overseas location selection issues among MHGs, although the department has various terms or titles. Therefore, the purpose of the first question in the second block is to acknowledge the specific names of different hotel groups.

In Block 2, it focuses on the decision-making process as well as the influence of each group of participants related to the hotel location strategy formulation issues. For example, 'B2-1', literally means the first question of the second block, which aims at figuring out the exactly responsible department in the hotel company who is charged with the locational strategy issues. In addition, related literature has also been presented in the table in order to support the research in a theoretical and logical way.

Following this line, questions in Block 3 are aiming at investigating the influential factors during the MHG's location selection in mainland China which would provide the basic information for the next step: regression model analysis. It is assumed to investigate the function of game theory in the hotel industry based on the regression analysis. And of course, each question is in line with the aims and objectives of this study.

The importance of external stakeholders has been considered by numerous scholars (Becerra, 2009; Ford, 2011; Freeman, 2004; Harrison & Enz, 2005). However, there still exists uncertainty in the hospitality industry especially considering the Chinese environment that who has the greatest influence regarding the locational issues. The significance of the land developers (Lichtenberg & Ding, 2009) has been raised by the movement implemented by MHGs (Carlsen, et al., 2001; Jauhari & Sanjeev, 2012). By securing the position of land developers among business negotiations, it helps to clarify the decision-making process and identify their irreplaceable role. As different expansion ways cause diverse benefits mentioned in the second chapter particularly in the hospitality industry, it is important to acquire the industrialists' opinions about the entry modes (Bartl & DiBenedetto, 2003; Brown et al., 2003; Contractor & Kundu, 1998a; Erramilli et al., 2002; Heung et al., 2008; Ivanova & Ivanov, 2013). With a holistic understanding of the specific features of the Chinese hotel industry, the local government has been supposed to be a vital part of the MHGs' decision-making process (Gu et al., 2012, Heung et al., 2008, Wang et al., 2020a, Yang et al., 2017).

With the acknowledgement of three groups in the strategic planning process, it is necessary to explore the decisive factors for the entry model selected by MHGs. Inspired by previous researchers (Johns et al., 1997; Nicolau, 2002; Urtasun & Gutiérrez, 2006; Yang, et al., 2012), price, the distance between tourism attractions and hotels, market size, culture issues and general environment (Alon et al., 2012; Andreu et al., 2017; Brown et al., 2003; Chan & Yeung, 2009; Clarke & Chen, 2007; Contractor & Kundu, 1998a; Erramilli et al., 2002; Gross et al., 2013; Gu et al., 2012; Guillet et al., 2011; Harrison & Enz, 2005; Heung et al., 2008; Rhou & Singal, 2016; Pine & Qi, 2004; Wei, 2004) Questions B3-1 to B3-6 have been provided to the interviewees to consider.

5.5.4 Improvement of the interview questions

Peer recommendations and expert reviews are always the strong support tool for academic research (Kim, Goh & Yuan, 2010). The draft of potential semi-structured questions (Appendix I) was sent to the researcher's supervisors for comments and approval firstly in order to confirm the validity of the investigation. The importance of improvement has been pointed out by Peterson (2000), who believed that this step is highlighted among the qualitative research design process. Following this stage, the second draft of the interview questions was implemented. In order to enhance the validity of this research, expert reviews were planned for the semi-structured interview questions. Based on the evaluation raised by the experts, a few

refinements were made to improve the interview questions which is clearly presented in the following Table 19, where the responses to the expert comments have been summarized in. It includes not only the words applied in the interview but also the frame of the whole interview. For example, the interview questions were divided into three parts namely MHGs, Game Theory and Location Strategy. In order to fit the aims and objectives of this study, it then is modified as Block 1 Experience, Block 2 Decision-making process and Block 3 Influential Factors in order to make sure the clear direction.

Table 19 Experts' suggestions for interview questions

Suggestions	Origins	Responses
Not focus only on the hotel property, but also consider the hotel sector	May I ask how long have you been working in this hotel (if applicable)?	Have you/did you work(ed) in hotel sector?
Enter and expand	What are the decisive factors for the entry mode of multinational hotel groups when they are going to move into a new market?	This question has been divided into different questions and inserted into different blocks.
The importance role of Property/land developers.	Franchising, as one of the most prevalent entry modes, has resulted in the current situation that most of giant hoteliers such as Marriot and Hilton does not own or just hold small proportion of the hotel properties. It raises the significance of the land developers. 1. Do they play an important role in this locational negotiation?	Franchising, as one of the most prevalent entry modes, has resulted in the current situation that most of giant hoteliers such as Marriot and Hilton does not own or just hold small proportion of the hotel properties. It raises the significance of the land developers. 3. Reflect on your experience, do you think land developers/property developers play an important role in the locational negotiation?

Influential factors	Location Strategy	Block 3 Influential Factors 1. What are the decisive factors for the entry model of multinational hotel groups when they enter and expand?
Repeat	Based on the distinctive features of the Chinese hospitality industry, especially the role of government, will the relationship with the local government influence the location strategy?	5. Will the culture distance affect the process of selecting a location? 6. Will the less susceptibility to political, economic and cultural risks improve the hotel's adaption of the new market?

Source: Author

In addition, the first draft of interview questions also includes the problems such as having repeat meanings of the different questions as shown in the above table. In order to save the respondents' time and research cost, the interview questions have been modified based on the supervisor's suggestions.

With the review and refinement completed, the pre-test interviews were conducted with 3 Chinese students including 2 tourism PhD students from the researcher's university who are familiar with the Chinese hotel industry. The purpose of implementing the pre-test is to ensure the participants understand the questions and provide appropriate responses (Finn, et al., 2000). During the pre-test, the time of interviewing was estimated and re-examined. More importantly, feedback was sought in terms of the understanding and interests of respondents on the specific questions.

In particular, participants were asked whether they understood the words or terms used in the questions, whether they had interpreted the questions in a manner that was different from expected, and whether they had any interest in the questions (Finn et al., 2000). Based on the feedback from the pre-test, some alterations were made in terms of the Chinese translation of the questions. The second draft of the potential semi-structured questions was further modified and finalised for the pilot study. All detected mistakes were revised and corrected and suggestions provided by others were all responded including wording, meaning, sequencing and order of questions which will be discussed in more details in the following section. The final version of interviewing questions can be found in Appendix II. As the targets of this research are focusing on the MHGs expanding into mainland China, considering the cultural and linguistic background, the interview questions were subsequently translated into simplified Chinese as shown in Appendix III.

5.5.3 Pilot Testing

After the experts' review and pre-test, pilot testing was implemented in order to ascertain whether any necessary corrective measurements should be added before the main data collection. The importance of pilot testing has been largely emphasized by many researchers such as Bryman (2004), Gray (2013), Greener (2008) and Veal (2006). In a pilot testing, the semi-structured interview questions were proofed to avoid mistakes in questions, design and layout.

A range of various purposes for doing pilot testing has been summarised by Veal (2006), which

include testing wording and sequencing of interview questions, estimating responses, interview time and analysis procedures. In this research, besides all these identified purposes, there is another main objective for the pilot study that to get engaged with the industrialists as the snowball sampling requires an experienced interviewee at the first stage in order to achieve the expected aim (Hendricks et al., 1992).

Their pilot interviews were conducted in Plymouth and Hangzhou in June and July 2018 through one PhD student, who is also majoring in the tourism industry in the University, and two industrialists who were selected in order to do a pre-test and check for both English and Chinese version. There are three main reasons behind the selection of Hangzhou as the pilot testing venue. Firstly, Hangzhou is one of the most enduringly popular tourism destinations in China (Lonely Planet, <https://www.lonelyplanet.com/china/zhejiang/hangzhou>), where is famous for both historical spots such as temples and shrines, Leifeng Pagoda and natural landscapes like the west lake. Due to the abundant tourism resources, there are 3677 hotel properties presented on the Tripadvisor.com website (2019), including 22 Five-star and 230 Four-star properties namely such as Grand Hyatt, Shangri-La, Sofitel, Sheraton, InterContinental and so on. In addition, based on the criteria of identifying the tier of cities (Yicai, 2019), Hangzhou has been clarified into a 1.5 tier brand or new first level city, which means it has a quite high-level attraction for the business investment. In other words, Hangzhou is one of the cities that MHGs aiming at expanding in the future. Thirdly, with the consideration of the familiarity with the city, it would be easy for the researcher to conduct the pilot testing in Hangzhou.

5.5.4 Sample

5.5.4.1 Types of sampling

Previous researchers (Neuman, 2011; Sekaran & Bougie, 2010) have summarized the sampling techniques into two broad categories which are probability and non-probability sampling. It has been widely accepted that probability sampling is utilized in the situation where every element of the population has a known, nonzero chance of being included in the sample (Brunt, 1997; Churchill & Lacobucci, 2002; McDaniel & Gates, 2006). There are four commonly used types of probability sampling techniques including simple random sampling, systematic sampling, stratified sampling and cluster sampling (Malhotra, Birks & Wills, 2012; Sekaran & Bougie, 2010). Probability sampling enables the researchers to acquire representative

information of the population by pre-specifying the probability of selecting any particular sample of a given size and computing the sampling error (Malhotra & Birks, 2007; McDaniel & Gates, 2006). However, it should be noted that the sampling frame is required to be as detailed as possible since it determines the precise of the research (Finn et al., 2000; Malhotra & Birks, 2007). Malhotra and Birks (2007) also pointed out that the target population must be defined precisely which has a close relationship to achieve the expected result.

Non-probability sampling, however, considers the situation in which there is no way of estimating the probability that any population element will be included in the sample (Churchill & Iacobucci, 2002; Sekaran & Bougie, 2010). Compared with probability sampling, it allows for good estimates of the characteristics of the target population (McDaniel & Gates, 2006). Moreover, the cost of non-probability sampling is usually lower than probability sampling as the size of the sample. And non-probability sampling is often applied where accuracy is not the priority consideration during the sampling procedure (McDaniel & Gates, 2006). There are four commonly used non-probability sampling techniques including convenience sampling, judgement sampling, quota sampling and snowball sampling (Malhotra et al., 2012; Sekaran & Bougie, 2010).

The advantages and disadvantages of each specific sampling technique are presented in below Table 20, in order to have a holistic understanding of these two broad sampling categories. Although probability sampling techniques are easier to generalize, non-probability sampling is better to fit the requirements of this study, especially the snowball sampling technique.

Table 20 Advantages and disadvantages of sampling techniques

Categories	Probability Sampling				Non-probability Sampling			
Techniques	Simple Random Sampling	Systematic Sampling	Stratified Random Sampling	Cluster Sampling	Convenience Sampling	Judgement Sampling	Quota Sampling	Snowball Sampling
Advantages	High generalizability, Easily understood	Able to increase representatives, easier to implement	Includes all important subpopulation, precision	Easy to implement, low cost	Quick, convenient, less expensive	Low cost, convenient, ideal for exploratory research	Sample could be controlled for certain characteristics	Could estimate rare characteristics
Disadvantages	Difficult to construct sampling frame, expensive, lower precision	Systematic biases	Difficult selection of stratification variables, expensive	Imprecise, difficult to interpret results	Selection bias, not generalizable	Subjective, not generalizable	No assurance of representativeness	Time consuming

Source: Adapted from Malhotra et al. (2012)

The alternative approaches were considered before implementing the investigation including convenience sampling and judgemental sampling. However, it can be argued that convenience sampling might have the problems of obtaining high quality of data although it seems quick and convenient (Bryman, 2004; Malhotra et al., 2012). Additionally, it was also rejected on the grounds of the intellectual credibility of data. Judgment sampling has been regarded as the most common sampling technique (Bryman, 2004), while it was not suitable for this study situation. Within this research, the extension of the basic population was not known in advance and was therefore unable to be defined in advance. It was also the reason that not applying probability sampling techniques in this study.

The blurred target population of this study was probably about the hoteliers in the Chinese hotel industry, land developers regarding hotel properties and government officers charging of the city planning. Due to the unknown statistics of the exact number of these groups at the time of interviewing, the probability of each group being selected from the unclear population was not known. Therefore, non-probability sampling was identified as being suitable for the sample selection in this study.

5.5.4.2 Snowball sampling

Snowball sampling is a non-random sampling strategy that is often used in explanatory research, especially for the situation where it is impossible to identify beforehand all those who might fall into a category of interest (Hall & Hall, 1996). Based on the definition of snowball sampling provided by Vogt (1999), it is a technique for finding research subjects in which that one subject gives the researcher the name of another subject, who in turn provides the name of a third, and so on.

One of the apparent advantages is that snowball sampling enables access to previously hidden populations (Atkinson & Flint, 2001) which might be the best coping strategy in such a situation where the extension of the basic population was not known in advance. In addition, it also has been widely accepted that snowball sampling is economical, efficient and effective in various studies such as biomedicine and sociology (Atkinson & Flint, 2001; Avico et al., 1998).

Snowball sampling was chosen for this investigation, as it has positive effects regarding this research and has been widely used in different qualitative social researches (Hendricks et al., 1992). The basic strategy of snowballing involved interviewing a few key informants firstly, who had the relevant characteristics and attributes associated with the research question. With the recommendations from them, other people who also possessed the same attributes as

themselves could be provided (Berg, 2001; Nash, 2006). This strategy enables the industrialists' perceptions of the social reality to be established and explored which could help the researcher to achieve the research aims and objectives regarding the hotel location selection issues.

In terms of the size of the sample was drawn in this investigation, it was suggested by the researcher's supervisors by utilizing snowballing sampling with 15 interviewees. By utilizing each respondent's social networking, a sizeable group of respondents has been formed (Kumar, 2005; Liamputtong & Ezzy, 2005; Oppenheim, 1992). In order to achieve the aims of this research, careful consideration needs to give to the initial starting interviewee, as he or she might determine the field of the interviewing. Therefore, a set of criteria were drawn for this sampling process, which was introduced to the sampling method to seek the expected sample. Reflective of the literature review (Chapter 3) on specific characteristics of locational strategies, the criteria were outlined in Table 21 below.

Table 21 Criteria for snowball sampling

A. Someone who was one of the decision-makers in MHGs, especially regarding the expansion in the Chinese hotel market
B. Someone who was involved with the project of building hotel properties in mainland China
C. Someone who was working for the land planning bureau in China

Source: Adapted from Palmer, et al., 2007)

Moreover, it could be argued that this investigation is applying a criteria-based snowballing sampling method. This criterion has determined the initial respondent for each group area were comparable. In addition, considering each group, hotelier, land developer and government officer, there was more than one starting point individual in each area. More specifically, the initial respondents were selected via their occupational grouping with their job title acting as an initial indication of suitability. The referral process was then encouraged until saturation was reached. Due to the nature of the sampling method the sample size was confirmed after the data collection process was completed since the sample for this investigation recognised the current situation of the Chinese hotel industry. As a result, there are 14 interviewees taken participated in the interviewing between July 2018 and February 2019 with 6 of whom were from the hospitality industry, 5 of whom were from land developing companies and 3 of whom

were from the local government land planning office. Further information about findings is explained in the next Chapter.

However, it is also necessary to raise awareness about identifying the limitations of snowball sampling. The main problem it might confront is that the balance of being biased (Hall & Hall, 1996; Browne, 2005; Kumar, 2005), since it concludes a major part of the subjective recommendation. Additionally, the level of representation should be emphasized as it might result in un-generalization (McNeil & Chapman, 2005). Time-consuming is another point that should be noticed, as the researcher should consider the process of this study.

5.5.5 Primary Data Collection

Primary data collection strategy has been presented in the following figure based on the advantages and disadvantages of research strategies argued before. With the development of the design of the interviewing questions, the logic of the research process about collecting primary data is presented in Figure 24.

Figure 24 Primary data collection process

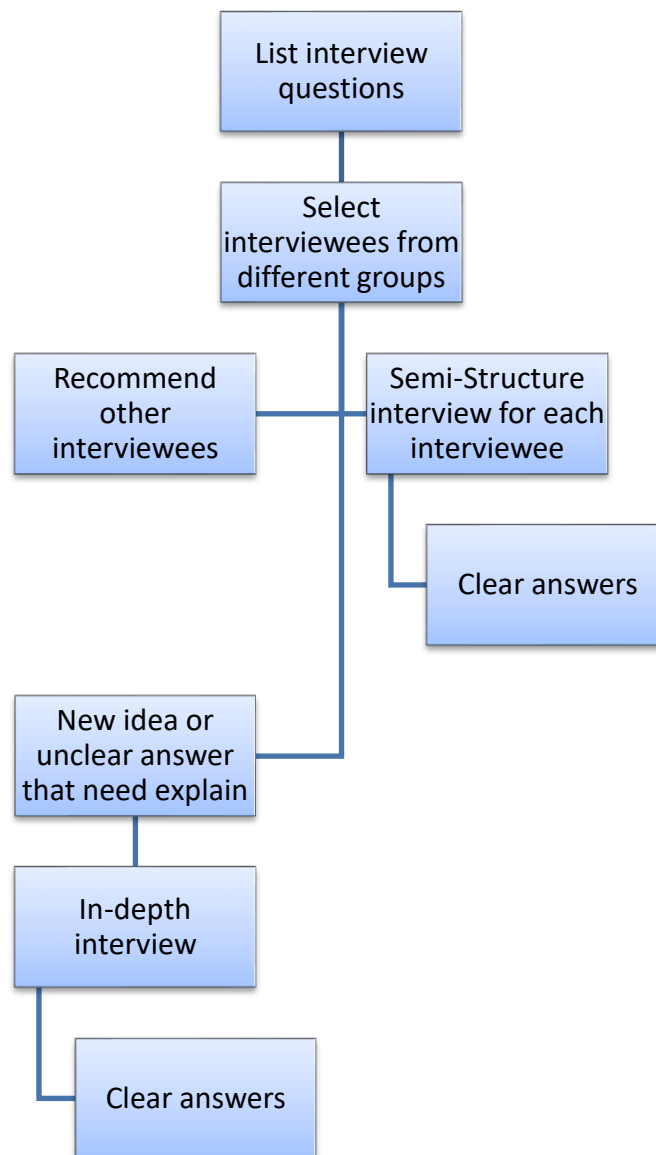
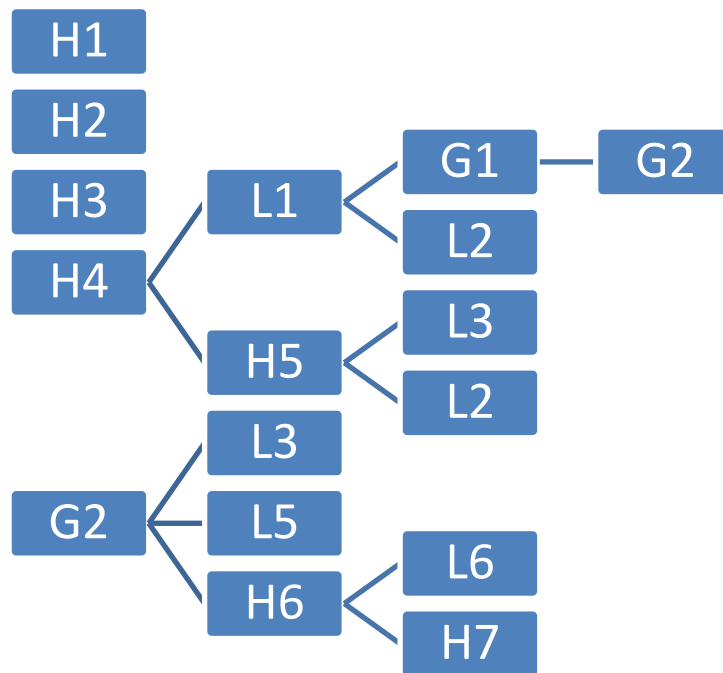


Figure 25 Track of Snowball Sampling



Source: Author

From Figure 25, the first column is the initial key persons (H1, H2, H3, H4, and G2) the author got in touch by recommending from the supervisors and researchers. Then, based on the recommendations from these interviewees, the second column was formed. However, it is important to notice that the second column also suggested author have a discussion with one of the first column interviewees (G2) which has achieved a circle relationship. It to some extent indicates the current situation of the Chinese hotel industry where it is crucial to have relationships with each group type of industrialists, hoteliers, land developers and government officers. It proves the findings from the previous researchers (Heung et al., 2008; Wai, 2004) that it is important that who you know while Guanxi is a typical feature of the Chinese hospitality industry presented in the literature review chapter.

Data were collected from 10 cities spread over mainland China, which were included tier 1, tier 1.5 and tier 2 cities. According to the National Bureau of Statistics of China (2018) and based on the criteria of identifying tier of cities (Yicai, 2019), Chinese cities were divided into first, one point five, second and third tiers. The respondents of this research came from all of these tiers cities except tier 3 cities as the current headquarters of each hotel group are still localised in the megacities instead of the lower-tier cities.

Table 22 The details of interviews

Interviewee location	Interviewees	Means of interviews	Interview dates
Beijing	H1, L6, H7	Face-to-face	February 2018 August 2018
Dalian	L2	Telephone	July 2018
Guangzhou	H3, L5, H6	Online telephone	July 2018
Hangzhou	H3, H4, G2	Face-to-face	February 2018
Hefei	L1, G2, L3	Face-to-face	March 2018, July 2018
Haikou	L4	Video meeting	August 2018
Nanjing	G1	Video meeting	March 2018
Wuhan	H5	Video meeting	July 2018
Shanghai	H4	Video meeting	August 2018
Taiyuan	H2	Face-to-face	February 2018

In order to acquire the unbiased views of the social reality, each respondent was classified to enable cross-referencing among the industry which could facilitate to avoid more purposeful sampling outside of the initial criteria for snowball sampling. This classification has been decided by the recommendations from the interviewees in order to give a clear track about how to find the right persons.

5.5.6 Primary Data Analysis Method

As an analytic research approach, the Framework Analysis was widely applied in the

qualitative data analysis to understand complex behaviours, needs systems and cultures (Ritchie & Spencer, 1994). Regarding the aims of the research, understanding the internal structures of the decision-making process among MHGs' expansion in the mainland of China, the Framework Analysis has been refined and developed to help these aims to be achieved. By sifting, charting and sorting, qualitative data is able to be detected through certain key features of the Framework Analysis (in Figure below).

Figure 26 Key Features of the Framework Analysis

Key Features	Grounded	Dynamic	Systematic	Comprehensive
Strengths	It is heavily based in, and driven by, the original accounts and observations of the people it is about	It is open to change, addition and amendment throughout the analytic process.	It allows methodical treatment of all similar units of analysis.	It allows a full, and not partial or selective, review of the material collected.

Source: Adapted from Ritchie and Spencer (1994)

Based on the argument pointed out by Teo (1994), the Framework Analysis has been regarded as an approach associated with systematic and disciplined research. It enabled the researcher to inductively reconsider and rework ideas by illustrating through five key stages: familiarization, identifying a thematic framework, indexing, charting, mapping and interpretation.

5.5.6.1 Familiarization

Before sifting and sorting data, the first step of the Framework Analysis is familiarization which helps the researcher gain an overview of the body of material collected. By involving in the data, listening to audiotapes, reading transcripts, studying observational notes (Ritchie & Spencer, 1994), the analyst aims to explore the substantive issues of the decision-making process in the Chinese hotel industry. With the collection of primary data finished, the investigator started to familiarise with the sources by listening to audio records and reviewing transcripts. The different colour of highlighting was also applied to the materials as an effective tool for familiarization to address the key issues within the interviewees' answers.

Familiarization has a crucial influence on qualitative data analysis. Not only because the analyst is able to gain an overview of the richness, have in-depth and diversity of the data from this step, but also it given hints to the process of abstraction and conceptualisation (Ritchie & Spencer, 1994). During the familiarization process, key ideas and themes will be formed through the in-depth exploration of materials, where the substantive issues become apparent.

5.5.6.2 Identifying a thematic framework

Following the first step, a thematic framework will be settled after the selected material has been reviewed with the identification of the key concepts and themes (Ritchie & Spencer, 1994). It should be noted that one of the purposes of this research is to identify factors influencing the locational decision-making process of MHGs during their expansions in China. According to the framework settled based on these key issues, the data can be sifted and sorted within the purpose of achieving the research aims. Another thing that should be noticed is that it is necessary to refine a thematic framework with an open mind, logical and intuitive thinking instead of supposing that it is an automatic or mechanical process (Ritchie & Spencer, 1994). To observe the new ideas behind each respondent of interviewing, the investigator sifted and sorted the primary data by highlighting the transcripts and summarizing the keywords which represented the ideas of interviewees. Through matching the respondents' answers, the thematic framework was built.

5.5.6.3 Indexing

Indexing refers to a method of labelling data in its textual form based on a particular theme. It is a process applied to all the textual data that has been gathered such as transcripts of interviews. Based on the suggestions provided by Ritchie and Spencer (1994) that all the data should be included in the thematic framework instead of just those selected for review. In addition, they suggested that indexing references should be arranged by a numerical system on the margins of each transcript, which will enhance the logical understanding for the analysts. Indexing involves making numerous judgements regarding the significance of the data. Therefore, it is important to avoid the bias of the judgments by not only focusing on its meaning but also standing position.

5.5.6.4 Charting

With the application of the thematic framework to individual transcripts, the researcher is able

to arrange the indexed data, which were completed in the previous stage, in charts of the themes. By identifying the range of attitudes and experiences for each theme, data is lifted from its original textual context and placed in charts that consist of headings and subheadings that were drawn during the thematic framework (Ritchie & Spencer, 1994). It is essential to make the charts for each key subject area built on the basis of views provided by respondents. Simultaneously, the key point is always keeping the charts in order, which is beneficial for reviewing the whole data set.

5.5.6.5 Mapping and interpretation

The final step is an interpretation where mapping the key characteristics of qualitative data set together after all of them have been sifted and charted based on the themes summarized before. It has been emphasized that indexing and charting phases will result in different categories, associations and patterns. However, this stage should be able to provide a schematic diagram of the phenomenon in order to achieve the purposes of the study.

5.6 Stage Two: Secondary Data Collection and analysis

Due to the aims and objectives of this research, two sources of data are expected to be analysed, primary and secondary data. With the collection of primary data by interviewing, it is also necessary to consider secondary data further, which is related to research questions, objectives and design.

5.6.1 Secondary Data

According to the definition of secondary data provided by Veal (2010), it states that secondary data refers to that already exist and were collected for some other purpose but can be used a second time in the current project. Saunders et al. (2009) defined secondary data in a more specific way that it has been already collected in types of books, journals, government publications and so on. It is indicated that there are many different channels relating to library, online data and the internet which are available for providing secondary data (Sekaran, 2003; Hair et al., 2007).

Secondary data plays a variety of roles in a research project not only being the whole basis of the research but also activating as a vital or incidental point of comparison (Veal, 2011). Actually, some secondary data such as the results of national tourism surveys are highly appreciated since they are available in an equivalent raw form (Veal, 2011). Obviously, the secondary data in the literature review chapter implements this research to define and detect all significant knowledge for the factors that influence the hotel property locational strategy among the decision-making process. Simultaneously, it helps the research to focus on this research topic, create the conceptual model, hypotheses and research method (Saunders et al., 2009) by reading and finding information from other researchers mentioned above such as Kundu and Contractor (1999).

5.6.2 Secondary Data Source

5.6.2.1 Advantages and Disadvantages of Secondary Data

It should be noted the advantages and disadvantages before using secondary data which are outlined in the following Figure 27. Secondary data has been believed that it is originally considerable highly cost, especially for those conducted by government agencies (Veal, 2011).

Although the cost of collecting new data could be avoided by researchers, the limitations of data which were collected not for the same purpose could result in the limited findings which should be considered before implementing research method.

Figure 27 Advantages and disadvantages of Secondary Data

Advantages

- Timing
- Cost
- Experience
- Scale

Disadvantages

- Design
- Analysis

Source: Adapted from Veal (2011)

As for the advantages of utilizing secondary data, other reasons are the experience of previous research, which could be exploited for the current study, and the scale of data, which might be derived from larger samples, enabling the researcher to reduce the time cost of research. However, the limitations of secondary data are also worth considering. Secondary data have been designed for another purpose. It might not, therefore, be ideal for the current project (Veal, 2011). And it also results in the analysis limitations where manipulation of the data for the current project might not be feasible. Based on the aims of this research, in order to identify factors influencing the locational decision-making process of MHGs during their expansions with the application of game theory, it is clearly wise to use secondary data, especially administrative data of the hotel industry collected by the national government.

The following table illustrates the types of secondary data and the reasons for choosing it as one of this investigation data, where the secondary sources are listed in Table 23 with the correspondent variables in the regression analysing.

Table 23 Sources of Secondary Data

Secondary Data Source	Reasons	Variables
Population Census	To have insightful information about the specific geographical area and average labour price	<i>Labour price; Land price</i>
Administrative Data	To appreciate the level of specific geographical economic and political development of the locations.	<i>Market size; Political & Economic Environment</i>
Documentary sources	To clarify the development of the specific multinational hotel groups and the policy they might confront in mainland China.	<i>Company Size</i>
Tourism Statistics	To understand the level of tourism activities taking place in specific geographical locations.	<i>The number of multinational hotels; Tourism Resources</i>

Source: Adapted from Veal (2017).

5.6.2.2 Population Census

The importance of the population census has been emphasised several times by previous scholars (Brunt, et al., 2017; Saunders et al., 2009; Veal, 2011). It is applied to describe a population at not only national but also regional or local levels by recording demographic data. The population census has been believed as ‘the only survey which provides a detailed picture of the entire population and it is unique in that it covers everyone at the same time and asks the same questions everywhere, making it easy to compare different parts of the country’ (www.ons.gov.uk/census/index.html). As the author focuses on the issues in mainland China, it is logically to collect the data from <http://www.stats.gov.cn/english/Statisticaldata/CensusData>, where it gives valuable insight

into the lifestyles and demographics of the Chinese nationwide population. The statistics are easily accessible to researchers as public data and can be manipulated into regional and destination-specific data sets. As a result, the author is able to have insightful information about the specific average wage of hotel and catering employees in the hospitality industry. In addition, it will be also possible to compare the differences in labour's prices among specific geographical locations, especially the coastal cities and inland cities, or the tier 1 cities and tier 2 and 3 cities.

The census has limitations in coverage and content (Frankfort-Nachmias & Nachmias, 2002) due to the timing of conducting the census usually much earlier ahead of research. For instance, the most recent census was conducted in 2010, which might oppose the existing statement of affairs. Despite these limitations, it was deemed that the wide range of social statistics which the census creates, restricts the damage of these limitations upon the investigation (McNeil & Chapman, 2005). It has still been regarded as an abundant source for researchers (Veal, 2010) and was considered of high significance to this investigation.

5.6.2.3 Administrative Data

Administrative data have been widely used in previous research (Veal, 2011) as this type of data is related to such as the volume of tourist arrivals and departures. For the most part, tourism agencies rely on their own surveys of international tourists because they provide more detailed information, but the arrivals and departures data provide data that are internationally more complete and comparable, hence their use by organisations such as the World Tourism Organization (WTO).

5.6.2.4 Documentary sources

Documentary sources have been regarded as an information source for research which lies somewhere between literature and management data (Veal, 2011). Many of such sources are important for historical research, either for a primarily historical research project, or as background for a project with a contemporary focus. Considering the aims and objectives of this research, it is necessary to have the documentary records of such as newspaper, correspondence of firm's board meetings and magazines. As the classification of the cities regarding locational issues, it is important to have the documentary sources such as white paper launched by the State Council, which is mainly used for explaining the purpose of lands.

5.6.2.5 Tourism Statistics

Tourism statistics help provide interesting points and ideas for the comparison of research agendas (Veal, 2011). Data were collected between 2007 and 2018 for this investigation, as the time period reflected the trends of the MHG's enlargement of their business in mainland of China. In addition, these data provide the ability for understanding the level of tourism activities taking place in specific geographical locations. By analysing these data, it allowed the nature and scope of tourism development to be assessed in the specific area. However, tourism statistics are extremely difficult to attain at the local level (Agarwal & Brunt, 2006). Due to issues of accessibility, data were only collated at the tier 3 cities level, as there was no specific data available for the cities under this level in China national database.

5.6.2.6 Variables

Based on the data sources mentioned above, reflective of the literature review in the former Chapters, considering both the previous research (Baum & Haveman, 1997; Egan & Nield, 2000; Johnson & Vanetti, 2005; Kalnins & Chung, 2004; Kundu & Contractor, 1999; Shoval, 2006; Urtasun & Gutiérrez, 2006) and further confirmed by the results of later interviews, the influential factors are presented in table 11 the last chapter.

5.6.3 Regression analysis

Regression analysis is a means of mathematically figuring out the relationship between independent variables and dependent variables (Chatterjee and Hadi, 2015, Freund et al., 2006, Seber and Lee, 2012). It has been largely applied in quantitative analysis. Previous research regarding location strategies has also deployed regression analysis in their research (Andreu et al., 2020a, Wong and Liu, 2010, Yang et al., 2012, Zhang et al., 2012). Based on the research aim of this thesis, regression analysis will be applied by using Stata software.

5.6.3.1 Stata

Stata has been widely applied in scientific research analysis and is considered as one of the most prevalent software programmes for statistical analysis in social science research (Rabe-Hesketh & Skrondal, 2008). For example, Alemayehu and Kumbhakar (2021) used Stata to examine the effects of excess capacity on the production cost of hotels. According to the findings provided by Rasoolimanesh et al. (2021), the most recent research from 2016 to 2020

published in top tourism and hospitality journals related to moderation analysis are using software such as Stata. Therefore, based on the aims and objectives of this study, Stata 15 SE was employed for regression analysis.

5.6.3.2 Multiple Regression Analysis

In accordance with the research objectives and interviews design, appropriate data analysis methods were determined. The second step of this study involves a panel data analysis using ordinary least squares (OLS) regression procedure, in order to investigate the locational strategies of MHGs in the mainland of China. Linear regression techniques will be used to discover the causal relationship between the dependent and independent variables (Bryman and Cramer, 2009). Indeed, it is also a suitable means for testing the function of game theory in this specific industry and to examining the results proposed by the previous literature.

Three different choice models are estimated:

(1) the government model, which indicates the interests of regional governments,

Government Model (Model I):

$$GDP_{p,t} = \alpha_1 + \gamma_1 MHG_e + \gamma_2 LD_e + \gamma_3 market + \gamma_4 lab + \gamma_5 site + \gamma_6 road + \mu_t$$

(2) the developer model, which addresses the purposes of land developers. The models are as follows:

Land Developer Model (Model II):

$$LD_{p,t} = \alpha_2 + \lambda_1 MHG_e + \lambda_2 GDP_e + \lambda_3 market + \lambda_4 lab + \lambda_5 site + \lambda_6 road + \theta_t$$

(3) the hotelier model, which reflects the payoff of multinational hotel groups while entering the Chinese market,

MHG's Model (Model III):

$$MHG_{p,t} = \alpha_3 + \beta_1 GDP_e + \beta_2 LD_e + \beta_3 market + \beta_4 lab + \beta_5 site + \beta_6 road + \beta_7 DUMP + \beta_8 DUMC + \varepsilon_t \quad (3)$$

Where in the hotelier model, $MHG_{p,t}$ is the hotel numbers of a multinational hotel group in p

city at t time; $GDP_{p,t}$ is the gross domestic product of p city in the t time, GDP_e is the estimation of gross domestic product based on the linear regression from the government model. In the same vein, $LD_{p,t}$ is the investment in the real estate industry in the p city in the t time, while LD_e is an estimation of the investment in the real estate industry generated from the linear regression based on the land developer model. *market* is the size of the tourism market which is measured by the total number of tourists. *lab* is the price of labour in such an area which is measured by the average salary in the hospitality industry. *site* is the number of scenic spots including the national AAAA level and the highest AAAAA level in such selected cities. *DUMC* is the dummy variable of culture which means that 0=no cultural distance, 1=has cultural distance. *road* is the road accessibility of property which is represented by the number of public transit vehicle lines. α_1 , α_2 and α_3 are the intercept of each equation, respectively. β , γ and λ are the coefficients of each model. ϵ , μ , and θ are the error terms in each model.

5.6.3.3 Dummy variables

Dummy variables are widely accepted as a significant method that allows researchers to assume the potential relationships between the independent variables and dependent variables based on the facts and logical induction of the theory. Hueng et al. (2008) and Yang et al. (2012) indicate that the dummy variables are suited to the research with the regression analysis. By using dummy variables such as ownership of the hotel, where 1=indigenous, 0=non-indigenous, Yang et al. (2012) emphasized the key factors during the hotel location selection by raising the evidence of hotels in Beijing. Therefore, this study adopted two dummy variables *international experience* and *cultural distance*. International experience is decided by the hotel group whether has the international experience, 0=no international experience while 1=has international experience. As for the cultural distance, 0=no cultural distance and 1=has cultural distance.

5.7 Ethical Considerations

Ethical considerations have been largely emphasized by previous researchers (Bryman, 2008; David & Sutton, 2004). It is necessary to consider the ethical issues not only due to the possibility of damaging the rights of participants (Brunt, 1997; Bryman, 2008; Cooper & Emory 2011), but also because of the requirement of the openness of the research (Veal, 2011).

Based on the statement of Veal (2011), ethical issues can emerge in the design and conduct of research and in the reporting of findings, and cover issues of informed consent, openness and honesty, and confidentiality. More specifically, qualitative interviews have attracted many concerns regarding ethical issues (Allmark et al., 2009; Veal, 2011). In order to avoid harm to interviewees and get the approval of permission from respondents, ethical principles in the field have been outlined, which were supported by Bryman (2004) and Veal (2011).

Specifically, before the commencement of data collection, an application for ethical approval was submitted to the Research Ethics Committee of Plymouth Business School in the University of Plymouth to cover the issues during the investigation. This ethical application was submitted and then granted in late 2018. Once ethical approval was granted, the initial respondents were contacted and were provided with as much detailed information as possible about the nature of this research.

As for the first step, once the interview was completed, the anonymity of each interviewee was implemented during data transcription and analysis in order to protect his or her privacy. This anonymity was achieved by using initials and code rather than names on transcripts. In the final report, these were rearranged by the numerical code to identify each respondent. As Allmark et al. (2012) pointed out that there was not only one worthy-trust ethical formula for developing the ethical principles. The ethical protocol, established by the University of Plymouth, was adhered to as the interview practice progressed. The detailed ethical considerations adopted for the actual conduct of the interviews are reviewed through the following aspects (more details in Appendix V).

Firstly, the respondents were fully informed of the information regarding the research including research aims and objectives and how to protect their privacy. Then, they were given informed consent as to whether to participate or not. The accepted respondent was informed in more detail about the research in which the researcher disclosed all applicable information about the activities to the respondents and how would use and share their information. There was their willingness to decide whether participation in the study acted as consent for participation. Secondly, the researcher informed interviewees of their right to refuse to participate or withdraw from the investigation whenever and for whatever reason they wish. It has proofed that all participants are voluntary instead of coercion. In addition, the researcher also reminded them data destruction was applicable if they wish, even if the interview was completed. Thirdly, the researcher ensured the research was commissioned and conducted with respect for all groups in society regardless of any significant social difference such as gender, race, ethnicity,

religion and culture. Additionally, the researcher ensured the participants were protected from physical and psychological harm at all times during the investigation with the promise that the research process did not involve any unwarranted material gain or loss for any interviewee.

Additional to respondent considerations, the ethics of the study data must also be considered. According to Tarling (2006), researchers have an ethical duty to promote the public understanding of their discipline and the status and standing of their profession. In line with this, the methodology implemented has been carefully considered in order to provide the best interpretation of the data to answer the research questions, with objectiveness and impartiality a key focus throughout.

5.8 Conclusion

In conclusion, this chapter introduced the research methodology adopted for this study. With the philosophical positions underpinning the research and the ontology, pragmatism was considered as the paradigm of inquiry, which led to the selection of mixed methods for this study. Semi-structured interviews, acting as the supporting role was conducted in several places such as Hangzhou, Hefei and Shanghai to confirm the views from the industrialists about the influential factors during the hotel property locational selection. Methodological triangulation is employed as game theory from economics is taken to explain the determinant factors of new properties for MHGs in the mainland of China in the hospitality discipline. And Stata 14 SE were employed in this research as analysing tool for quantitative data respectively. Both qualitative and quantitative research went through the ethical approval permitted by the University of Plymouth. The following chapter demonstrates the details of how to update the study's theoretical model through qualitative research.

Chapter 6 Findings of Framework analysis of interviews

6.1 Introduction

The aim of this chapter is to explore in great depth the understanding and consideration of the location decision-making process of MHGs through analysis of interviewing with industrialists. More specifically, the intention of this analysis is to expose the determining factors when MHGs settle new properties in mainland China. In order to achieve the expected objective, the chapter systematically highlights the emergent themes established through the application of the framework method (Brunt & Courtney, 1999; Bryman & Burgess, 2002). The framework method was applied for this investigation as it was considered as being a method associated with systematic and disciplined research (Brunt & Courtney, 1999). The primary qualitative data were collected by deep semi-structured interviews through face-to-face, telephoning and questionnaires with both hoteliers, land developers and government officers. The analysis interprets the data obtained from 15 key respondents and examines the individuals' responses to the decision-making process of hotel location selection as well as more specific factors that influence locational strategy. The results of the interviews give the direction of research regarding the determining factors have involved in the strategy formulation and gauges how game theory influences the hotel industry, and the decision-making process is influenced by each game player's perceptions of building a hotel.

Therefore, the process starts with familiarizing the qualitative data, followed by defining and naming themes, and ends with the mapping and interpretation of data, which are formulated by coding themes with the classification of distinguished features. This process enables the examination and explanation of the findings to be considered in the context of the relevant academic literature in the following discussion chapter. In addition, the results of interviewing have been described and analysed in a comparable order with the conceptual framework to ensure uniformity and consistency. Consequently, the description does not necessarily illustrate the nature of the conversation which took place within each in-depth interview, or the network revealed by the snowball sample. Instead, this chapter aims at highlighting the factors which were regarded as the most significant in the preliminary stages of the investigation, in order to secure the direction of the research.

Subsequently, the chapter is divided into three key sections. The first section starts with the introduction of the profile of the interviewees. By giving a detailed profile of interviewees, the section could provide ground information about where they started to think and a snapshot of each different group. This section outlines the construction of the sample by analysing the types of the respondent, the level of interaction they have with the hotel industry and the facts they thought in the current Chinese hospitality industry. Furthermore, this section gives a brief descriptive summary of the general findings for each respondent in different industries from the semi-structured interviews.

The second section of this chapter summarizes the influential factors in the decision-making process of hotel location through interpreting industrialists' opinions towards the locational strategy and offers an understanding of the different positions of players (hoteliers, land developers and government officers). By outlining the potentially influential factors, it enables the researcher to have an in-depth investigation of the influence raised by the game theory which will be testified in the regression analysis model presented in the following discussion part.

From the third section onwards, the decision-making process can be concluded by the framework analysis of interviews which gives an overview of the field and how it works during the strategy formulation. In addition, this section addresses participants' views and offers an understanding of the formation of the current Chinese hotel industry. Furthermore, this stage undertakes an assessment of each player's role during the locational decision-making process and their level of influence within the one specific project by evaluating the actions of individuals.

Overall, this chapter attempts to uncover the intrinsic quality of making the decision of each group of players, through discussing the actions implemented by them that cause the influences on group perceptions and, in return, the influences that the group has upon its members. However, it is critical to recollect throughout this chapter that the findings presented here purely represent the views of these three groups of interviewees rather than authors' opinions, although it might have some bias due to the nature of the sampling method (mentioned in Chapter 5).

Nevertheless, these data are transferrable and the analysis represents the three different groups of opinions within the issue regarding the expansion of MHGs in mainland China. Therefore, these interpretations are pertinent to fulfilling part of the second aim of this thesis: to identify

factors influencing the locational decision-making process of MHGs during their expansions with the application of game theory. More specifically, it fulfils the objective that to examine key stakeholders' views of the MHGs' location strategies in China utilising game theory. Indeed, the qualitative data, especially the interpretations of interviews offers an understanding of location selection issues among the hotel industry in China from a totally new perspective: game theory.

6.2 Profile of interviewees

With the purpose of this research, it is important to focus on the profile of interviewees to identify features of the interviewees so that appropriate questions can be included in the interviews (Veal, 2011). Before analysing the qualitative data which was processed by the information collected during the interviews, it is important to outline the detailed profile of interviewees firstly in order to have a holistic understanding of the background information about our interviewees. The data from interviews are gathered together in order to describe and analyse the characteristics of respondents by using descriptive statistics which could enhance the reliability of the results of the interviews.

6.2.1 Types of interviewees

During the data collection, the type of interviewee's work was controlled by the author in order to keep the balance of each group: hotelier, land developer and government officer. All of the interviewees are belong to these three industries, although they are in different companies. However, it is this difference that helps the investigator to compare different opinions and evaluate the ideas of each interviewee from different positions.

Considering the conceptual framework, these companies are primarily related to the same field but from different hotel groups, land develop and provincial governments which are clearly presented in the following table 24. In addition, the table shows that all the interviewees stay in the high position in each company or government. Following the purpose of interviewing the right person in the right fields, it is necessary to identify their positions and experience in advance. As a result, all respondents are rationally worth considering to some extent based on their background information. It can be assumed that the answers will be based on a true perception of each area.

Table 24 Profile of Interviewees

Respondent	Group	Position	Experience	Region
H1	Hotelier	Sales Director	26 years	North/Beijing
H2	Hotelier	General manager	13 years	Middle/Taiyuan
H3	Hotelier	Director of Human Resources Management	20 years	South/Guangzhou
H4	Hotelier	General manager	26 years	East/Shanghai
L1	Land developer	Leasing manager	20 years	Middle/Hefei
H5	Hotelier	Manager	Approximately 20 years	Middle/Wuhan
G1	Government Officer	Director	3 years	East/Nanjing
G2	Government Officer	Director	12 years	East/Hangzhou
L2	Land developer	Director	20 years	North/Dalian
L3	Land developer	Manager	21 years	Middle/Hefei
L4	Land developer	General Manager	26 years	South/Guangzhou
L5	Land developer	General Manager	8 years	East/Linyi
H6	Hotelier	General Manager	30 years	North/Beijing

L6	Land developer	General Manager	18 years	Middle/Hefei
H7	Hotelier	General Manager	20 years	Middle/Zhengzhou

The average industrial experience of interviewees is displayed in Table 24. It can be apparently seen that most of them have rich experience in the industry and deeply opinions about each job. It should be noted that they all come from different parts of China, different hotel groups, different land developers and different government offices in order to reach unbiased interviewing results.

In addition, the interviewees were selected based on the criteria settled in the last Chapter, who should be one of the decision-makers in MHGs, or was involved with the project of building hotel properties in mainland China, or was working for the land planning bureau in China. Based on these criteria, it will be conducive for this research to interview the rich experience industrialists (Palmer, et al., 2007). In addition, their high management levels at their organizations are able to secure that their opinion about hotel locational strategy was considering the development of parent company instead of their self-development. Simultaneously, their rich experience in the industry, especially for someone (such L2, H3) who was involved in both land development and hotel management, is supposed to give empirical suggestions about this research. As G1 stated that *‘I am responsible for the review of the construction of the land project’*, it shows that due to their high-level position and rich experience, they have been involved into the hotel property location decisions. And the words said by H6 also proved this argument that *‘has participated in site selection decisions’*.

6.2.2 Region of Interviewees

According to Table 24, it clearly shows that the interviewees come from different regions and almost cover most part of mainland China excluding the west. It can be concluded that 3 from North, 6 from Middle, 4 from East and 2 from South. Due to the imbalance of economic development, most of the East and South area of China is well developed while the middle and west is an underdeveloped area based on the data released by the National Bureau of Statistics of China (NBSC) in 2019. Considering the aims of this research, it is advisable to focus on the underdeveloped area instead of the metropolises, where MHGs are currently attempting to take

part.

These cities have included four tiers which Beijing, Shanghai and Guangzhou are in the first tier, Wuhan, Zhengzhou, Nanjing and Hangzhou are in the new first-tier, Dalian, Hefei, and Taiyuan are in the second tier while Linyi is a third-tier city (Sina News, 2019). The classification was based on the criteria of infrastructure, transportation, logistics, and attraction of the business investment.

Table 25 GDP of cities in different regions

Region	City	Year			
		2014	2015	2016	2017
North	Beijing	2133.08	2301.46	2566.91	2801.49
	Dalian	765.56	773.16	673.03	736.39
Middle	Hefei	515.80	566.03	627.44	721.35
	Zhengzhou	677.70	731.15	802.53	913.02
	Taiyuan	253.11	273.53	295.56	338.22
	Wuhan	1006.95	1090.560	1191.26	1341.03
East	Shanghai	2356.77	2512.36	2817.87	3063.30
	Nanjing	882.08	972.08	1050.30	1171.51
	Hangzhou	920.62	1005.02	1131.37	1260.34
	Linyi	333.68	376.32	430.50	434.54
South	Guangzhou	1670.69	1810.04	1954.74	2150.32

Source: National Bureau of Statistics of China

(Unit: RMB Billion)

GDP as a common measurement of the development of one city has also been considered as the highest tier the city has the larger GDP it achieves which was presented in the above Table. With the market saturation of the first tier city, MHGs has moved their targets from the previous first-tier cities to the current new first-tier cities and even into the third-tier cities.

6.3 Influential factors

Based on the interviewing results (see Appendix VI), the answers from interviewees have been categorized in the table, which the author selected the typical three representative answers on behalf of each group. The full results of the interviews can be investigated in the Appendix. The results have been coded with the distinctive label, which suggested that the interrelationship between each type of group. In addition, it also gives evidence about the second step, the factors of the regression model.

Table 26 Influential factors of selecting property location

Number	Determinants	Interviewees	Times
1	Market Size	H1, H2, H3, H4, L1, H5, G1, G2, L2, L3, L4, L5, H6, L6, H7	15
2	Political and Economic Environment	H1, H2, H4, L1, H5, G1, G2, L3, L4, L5, H6, L6, H7	13
3	Government Policy	H1, H2, H4, L1, H5, G1, G2, L3, L4, L5, H6, L6, H7	13
4	Cultural Distance	H1, H2, H3, H4, H5, L4, L5, L6, H6, H7	10
5	Company Size	H1, H3, L1, G1, L2, L3, L4, L5, H6	9

6	International Experience	H3, G1, L2, L3, L4, L5, H6, L6	8
7	Tourism Resources	H1, H4, L1, G2, L3, L4, H6	7
8	Road Accessibility	H1, H2, H4, L1, H6, H7	6
9	Labour Price	H1, G2, H6	3

According to the results of interviews, the determining factors about MHGs location strategies in mainland China has been identified which are policy, company performance, market size, profits, tourism attractions, culture, and transportation. It can be seen in Table 26, the market size has been spontaneously agreed as the most important factor for the locational issues, which was mentioned by all of 15 interviewees. General environment and government policy also received much attention among the interviewees (mentioned by 13 times), followed by cultural distance (10 times) and company size (9 times).

6.3.1 Market Size

It has been mentioned by 15 interviewees, however, in different ways. Although it was supported by H2 and L1 who said that ‘*the capacity of tourists*’ and ‘*targeted passenger flow*’, market size needs to be careful about its indicators.

In the answer of H1, he mentioned that ‘...*because of the market factor, the volume of market size.*’ It indicates that the market is the development of the local economy since he cited an example to explain why there is rarely to see more new hotels in Xinjiang province although the saturation of hotels in this area is still at a low level. However, he also mentioned that one of the famous worldwide hotel groups has accelerated the development pace in inland China, especially in tier 2 and 3 cities. And the reason behind this is the function of the market which includes but is not limited to the local economic development, the increasing purchasing power of local consumers and the rising number of tourists. And the middle one is in line with H5’s view that ‘*the consumption ability of customer*’. From this perspective, his answer about the market size has also implicated both the number of tourists and the level of economic development.

According to L2’s answer, she actually did argue about the important role of hotel consultancy

company which is helping the investors to justify the market (*'Positioning, designing of assignment book and filtering hotel brands'*) instead of mentioning 'market size'. Apparently, she regards the market as an important factor for hotel groups which requires to be analysed in advance.

As for the statements from government officers, they all believe market size plays an important role during the hotel property selection, although both of them did not give a detailed measurement of market size. Based on the statement pointed out by G1, it can be summarized that the decision made by the government about the new hotel property is largely dependent on the needs of the city construction.

'In order to complete functions of the city, it might be necessary to build a hotel in the location where is picturesque. However, the plan is normally designed up to two decades ahead of when the construction may be needed. For example, each province normally needs a conference reception centre in the capital city. Therefore, the plan will allocate an area for building an upper-class hotel with meeting rooms.' (G1)

This view has concluded that the relationship between hotel construction and city development. The settlement of new hotel property is impelled by the development of cities which aims at completing the city function. It is also consistent with the view of Wei (2004) that the purpose of building hotels is largely dependent on the matter of face, and can be regarded as the combination of both market demand and cultural influence (more details in the cultural distance section).

To summarise, the above quotes showed that market size is a crucial factor for all three groups, hotelier, land developer and government, among the location selection process. Therefore, the market size will be considered as one of the influential factors referring to the demand of staying at the hotel in a particular area which relates to the number of inbound tourists in the second step of this research. It resonated with the view of Zhang et al. (2012) that market size is the directly determinant for expected hotel occupancy rates, which is generally the main profit origin of a hotel. Although the research of Pine and Qi (2003) stated that China as a transition economy is highly unpredictable due to heterogeneous institutional arrangements, these findings highlighted that market size is the most important factor which can be measured through analysis instead of an unpredictable situation. It is also consistent with the research of Andreu et al. (2017), which proved that market attractiveness has a positive relation with the expansion of MHGs. However, they used two variables to measure host market attractiveness.

One is the ratio between previous foreign direct investments and GDP and the other is data on income obtained from tourism in each country. Based on the suggestions from these experienced industrialists, it will be logical to use the inbound number of tourists to measure this variable, which is also supported by the research implemented by Chen and Sun (2005) and Zhang et al. (2012).

Their research emphasised that market size is also the most significant factor in the current mainland Chinese hotel industry. However, as mentioned before in the literature review part, little research highlighted that there is a trend spreading in mainland China where most of the new hotel properties are built in the developing tier 2 or tier 3 cities instead of the metropolis. It will be useless for only considering the GDP indicator as most of the metropolises are much larger than normal cities. And the different forms of measuring market size from all of the interviewees have also proven that they are rethinking the measurement when considering the current trend of the Chinese hotel industry.

6.3.2 Political and Economic Environment

It has been argued that the political and economic environment is one of the second most influential factors among the issue of settling new hotel property (Table 26). The following quotes explained how interviewees consider this general environment factor:

Political issues are really important factors in China, especially when it comes to the problem of nationality. (H1)

The local government is the investors (in the hotel industry) with the considerations of macro environment ... As I mentioned before, political issues are really important factors in China. (H2)

The government will issue some requirements in some cities' land plans which should include luxury hotels as part of the development. In some cases, hotels are the targets commanded by the local government. It is the responsibility of the real estate developers to build a hotel in the purchased land. (L1)

The findings were consistent with Andreu et al. (2017b) and Pak & Park (2004) who used empirical evidence to prove that environmental factors such as political and financial are highly related to the hotel company's international strategies. If it has political risk and market uncertainty which means an unstable environment, foreign companies will choose an entry mode that requires the lowest possible resource commitment in order to minimize the potential

loos. As H5 mentioned during his interview, a ‘*stable environment investing environment*’ is the prerequisite for the development of MHGs, which is also supported by H1, who has a similar view about the role of environmental factors.

Indeed, the critical literature review in the previous chapter found that these political and economic factors are not directly linked with tourism or hotel but form the general business environment regarding the activities including corruption, openness, legislation, taxation (which will be explained in more detail in next section), and geographic location. PESTEL factors (Witcher & Chau, 2010) are backed up by this empirical field research. They play as a significant role due to these factors influence a country’s attractiveness and riskiness (Ivanov & Ivanova, 2017) not only for foreign investors but also for local citizens.

The results were also in line with the research of Zhang et al. (2012) that the business environment has been shown to be an important factor affecting the international expansion plans of MHGs. However, they did not identify the differences among environmental factors across China instead of assuming that there was the same in terms of legal, social and cultural factors. It can be deduced from the above quotes that local environments are highly different which results in the various plans made by local government rather than central government. This view was also supported by Zhang et al. (2013) later research that they attempted to clarify the differences among provinces in China. Consequently, the political and economic environment will be selected as one of the affecting factors among hotel property location decisions which refers to the stable development situation and the economic development situation in the particular area.

6.3.3 Government Policy

As the signal for the investors both local and foreign, government policy was believed by interviewees as one of the important factors influencing hotel location. As a country-specific factor, government policy towards tourism could make a destination attractive for hotel chains expansion (Ivanov & Ivanova, 2017). As following quotes explained:

As a result, government plays an imperative role in the process of setting up a new property. Government has wide control not only in land planning but also in the balance of the market. For example, if this region has a lower degree of saturation of hotels, the government will encourage MHGs to settle a new property in this region. (H1)

Local government is the investors with the considerations of macro environment. (H2)

Hotels, for example like Crown Plaza and Sheraton, are normally following this procedure were taking the land by bidding, auction and quotation. Then, they can build their hotels. Generally speaking, they have to coordinate with the local government at the initial stage. Hotels have to reach an agreement with the government who has willing of building a hotel in such areas. (G1)

The government will issue some requirements in some cities' land plans which should include luxury hotels as part of the development. In some cases, hotels are the targets commanded by the local government. (L1)

Government plays an important role in the hotel properties location selection, which is like a principle that tries to find some agents (developers) to delegate the tasks. (H5)

The results were consistent with Li & Park (2006) and Zhang et al. (2012) who indicated that government policy is the important determinant factor for FDI location decisions. Moreover, Chen and Sun (2005) cited an example of the favourable policies announced by the local government to attract foreign investment in central and western China in order to demonstrate the influence of this factor. It resulted in the development with the increase of inbound tourist arrivals with an average annual growth rate of 13.15%.

However, it is interesting that interviewees such as H3 also claimed that '*government usually does not play an important role*'. H3 has actually rich experience not only in the hotel estate investor but also in the hotelier aspect. From her perspective, the most significant factor for location choice should be the issue regarding the company itself rather than the factors out of control. Therefore, it might be a misunderstanding for industrialists to suppose that the government decides everything. In addition, L2, who is a skilled director of an investment company, had a similar view of the government position.

The government definitely has a really important influence on the location selection. However, the decisive power is still in the company's hands. (L2)

Based on her view, the government does have an influence on the hotel and real estate companies. However, the company size is the only decisive factor for the location selection issue. They supposed that other researchers and industrialists exaggerate the influence of the

government while minimizing the capability of the enterprise itself. It was actually consistent with the research of Johnson & Vanetti (2005) that government policies were the weakest factor towards hotel chains. It might be the reason that they focused on the European area where has a highly developed market if compared to China. And the government has few interruptions of the hotel markets. The critical literature review found that China has its typical feature about the role of government, as the central government formed the modern hotel industry with policies such as ‘Open Door’ and entering into WTO.

It is a fact that government policy will affect the trend of the hotel location. As L4 mentioned, *‘the requirements of government are one-way’* and relatively simple to meet. The government delegates the mission (H5) and the land developer is the actual performer. They both have a significant position during the hotel properties decision-making process, and the government as an initiator has the bargaining power with each other. It was supported by the statement made by G1, who said *Government will finally choose the most competitive proposal among different applicants*. As a result, government policy will be selected as one of the influential factors, which refers to the incentives provided by the local government in order to attract business, especially tourism and hospitality business activities.

6.3.4 Cultural Distance

From Table 6-3 above, it is apparent that culture problems have been regarded as one of the important influential factors since 10 of 15 interviewees supported it. The following quotes specifically explained the rationale behind the interviewees.

Nevertheless, it is usually seen that hotels will ask the master of Fengshui to measure and calculate when they are ready to pre-operate. In addition, it is normal to see that lion dancing (a traditional Chinese dancing performance) on every first day of the Chinese new year in order to bring the lucky and fortunate to the hotel. Moreover, it also affects the direction of desks in the office. (H1)

It is what we call cultural distance. Each hotel will definitely consider this factor as it is a necessary recognition for receiving foreign tourist arrivals. Of course, it also affects the locational strategies of hotel companies. (H2)

The habit of Fengshui is mainly caused by the preference of investors which is usually not the content considered by international hotel brands. However, international hotel brands normally notice and respect the preference of investors. (H3)

Almost all Chinese have different pursuits of culture, whether it is the pursuit of the Chinese culture of 'home' or 'root' or the yearning for foreign culture. As a hotelier, of course, you need to consider the inclinations and preferences of customers. And this is also the reason why large hotel groups not only have standardized first-line brands but also need a more unique 'heterogeneous' brand, such as Hualuxe to IHG. (H4)

In southern China, Fengshui is a very important concept not only for the hotel industry but also for the citizens' daily activities. Therefore, regional exploration before investing in site selection is usually unavoidable. It is not only because of the feasibility of construction in such an area but also due to the investigation of Fengshui. However, what I have to say is that this is more of psychological comfort for investors. (H5)

In Hong Kong and Taiwan, there will be professional masters as professional consultants for hotels or investors to analyse Fengshui and other matters. Of course, the hotel will pay great attention to this factor when choosing the opening date. (H6)

Culture has a strong attraction in which similar cultures will attract customers well, but in the same way, heterogeneous culture will greatly exclude customers. (H7)

It is important to notice that all hoteliers (H1 to H7) unanimously confirmed that culture plays a vital role in the locational decision-making process. It is resonated with many previous researchers such as Contractor & Kundu (2000), Zhang et al. (2012) and Ivanov & Ivanova, (2016). Prior literature on hotel chains' choice of a destination and of an entry mode has identified cultural distance between the chain's home country and the host destination. The rationale for considering the cultural distance is that an MHG prefers to enter into countries whose cultural profile is closer to the profile of its home country, in order to meet the management requirements of doing business. Alon et al. (2012) also emphasize the distance not only in the culture but also for the management skills affecting successful internationalization. However, there is limited research considering the cultural differences in a specific country like China, where north and south are different in both dialect, behaviour and customs. The findings have revealed there exists a significant difference among inland China.

Nevertheless, it seems that the results were inconsistent with the view of Andreu et al. (2017) who suggested that culture distance does not affect Chinese firms choosing FDI. It might be the reason that the market opportunity has overwhelmed the influence of cultural distance

which resulted in the international expansion of Chinese firms. In addition, Zhang et al. (2013) summarized the successful reasons for the Chinese hotel chain, Home Inn. And one of these factors is the culture which is also supported by the answer of H4. Therefore, it is logical to consider the cultural distance, which refers to the origin of the culture which might be affected largely by geographic distribution, between foreign MHGs and the targeting market, mainland China. Due to the main purpose of this study, considering the expansion of MHGs into mainland China requires the focus on foreign hotel companies instead of Chinese firms.

6.3.5 Company Size

Based on the results of interviews, especially the interviews with land developers, it has clearly indicated that company size will be the crucial factor for them to make decision about selecting a location which was supported by 9 interviewees. The following quotes explain their views about the company size.

It is based on the hotel's knowledge or understanding of a certain region. (H1)

They have to consider first whether it is possible to invest in such an area. This is based on their financial capacity and expectations of revenues. (L2)

MHG's worked with commercial management companies and land developers to enter the Chinese market. It was largely dependent on their (the hotel company) management capability to ensure profitability. And the hotel company is responsible for their own management. (L4)

Many examples such as Coca-cola and McDonald's, these highly recognized brand names, have already proved the importance of company size. It has been claimed by many researchers (Fullerton et al., 2007; Alon et al., 2017) that the more outlets there are in the system of franchisors, the more possibility it is that the franchisor can lower operating costs per outlet which has been concluded by economies of scale.

It should be noted that company size is not only about the hotel groups themselves but real estate companies themselves. In addition, it means not only the number of properties one hotel company possessed but also including the company's cash flow and 'financial ability (H2). L2 hold the same view that 'financial capacity and expectations of revenues' decides the direction of a company's strategy formulation. Moreover, 'The quality of the hotel and competitive reservation system' (L1) could also represent the company's capability of implementing locational decisions. It is resonated with the view of Zhang et al. (2013) that reservation system and consistent accommodation standards are the success factors for Home Inn Hotel Chain

which has been the leader in the budget hotel sector in China for a couple of years.

L1 also stated that '*Multinational hotel groups will consider the following factors: city, area, traffic, the ability of land developers and the number of guest rooms of the expected hotel*'. As explained in the previous section. H3 and L2, who believed that government has limited influence on such locational issues, supposed that the decisive factor for the hotel location is *the development of MHGs themselves* (H1).

The findings resonate with Ivanov & Ivanova (2017) who summarized that company-level factors play a greater role in the choice of a country market. Additionally, Yang et al. (2012) also proved that different scales of hotel groups determines the choice of a new hotel's location, although they focus on the distance between each hotel. In the research of Johnson & Vanetti (2005), the financial strength of the company is also a crucial factor for locational strategies. The findings also have the same token as the research carried by Alon et al. (2012), who indicated that company size infers financial capital, brand-name recognition, managerial and routine-processing know-how and monitoring skills which do matter in hotel franchising.

6.3.6 International Experience

There were 8 of 15 respondents agreed with the view that international experience is a key determinant factor when choosing new hotel property in China. The following quotes illustrated this point.

... The grand international brands have diversified choices as they own different levels of brands... (H3)

Then hotel companies who have rich experience in such area might find a design institute for them to propose solutions which should include how to deal with the traffic, how to combine with the view sites, and how to present the design etc. The government will finally choose the most competitive proposal among different applicants. (G1)

And rich experience helps the company to develop at a stable and accelerating pace. (L2)

We will seek out hotel brands with rich experience to manage. (L3)

In the current situation of China, many local governments increase the local supporting infrastructure by asking local real estate developers to match the corresponding hotels in the construction process during the economic development. (L4)

It should be noted that the criteria for matching the corresponding hotels is whether the hotel

operators have former experience. It is also interesting that based on L4's answer that the reason for attracting MHGs to operate the property is *because real estate developers usually have no experience in operating hotels*. In other words, operating experience is one of the criteria to choose hotel brand.

The findings were consistent with the view of Andreu et al. (2017) who suggested that there is a positive relationship between a firm's international experience and the use of entry modes demanding higher resource commitment. It is also in line with the theory of the Uppsala Model (Johanson & Vahlne, 1990) which proposes that a gradual internationalisation process is necessary for a multinational with the accumulation of the experience. The view of Alon et al. (2012) also has the same token, who state that international experience is especially important for hotel companies under the franchising system as the heavy investment in sunk costs.

However, Johnson & Vanetti (2005) found that international experience has a slight influence on locational strategy. The reason for this difference might be that Johnson & Vanetti related the international experience with company size. It is a fact that the smallest companies perceive a strong understanding of the guest needs and are able to provide the quickest responses to the change in the market since they are more vulnerable to threats from outside.

It can be logically argued that international experience, which refers to the experience of firms managing foreign operations in different markets, might be the potential decisive factor for the international expansion of MHGs as it is the prerequisite condition for a hotel group distributed around the world. However, it might not be an apparent factor that few of the interviewees mentioned in the interviews as they belong to MHGs, which means they have rich international experience already.

6.3.7 Tourism Resources

Based on the result of the interviews, 7 of 15 interviewees mentioned tourism resources as the decisive factor for hotel location choice. The following quotes can be explained:

It is important to be aware that whether the type of hotel is suitable for the type of site when deciding to expand into a new market. An example here is that Beijing as the capital of China, could be regarded as a tourism city and commercial city simultaneously. In other words, it is suitable for both travellers and business people. However, it might not be reasonable for a business hotel to open in Sanya where it is only a tourism city. The result is that in Beijing, you could see a lot of business hotels, budget hotels and luxury hotels while in Sanya, most of them

are tourism resort villages. (H1)

Whether it is to choose a business centre or tourism resources, the purpose is to get closer to the market. Therefore, they are all important factors in the hotel site selection process. (H4)

Usually it is not decided by us to select the location while government made the development plan which will consider the tourism resources and commercial activities as the criteria to select the site. (L3)

As claimed by L3, the findings show that tourism resource is one of the influential factors for selecting hotel location, although he pointed out that is the decision made by the government. However, it has a profound meaning in his statement that government *consider(s) tourism resources and commercial activities*. It is logical to deduct that the locational decision will consider other stakeholders' opinions if it is made in a scientific way.

The results were consistent with Ivanov & Ivanova (2017) who implemented the research on specific tourism factors such as tourism economy and destination competitiveness. In addition, Yang et al. (2012) also found that tourism sites have periodically influenced the determinants of hotel location. Consequently, as one of the influential factors, tourism resource, referring to the potential source which can be regarded as a rough proxy for accessibility to tourists, will be selected as one of the important factors influencing hotel location selection.

6.3.8 Road Accessibility

Less than half of the interviewees (6) mentioned this factor during their interviews. The following quotes illustrated their views.

Traffic is actually a very important factor, because the passenger flows are guided by the transportation system. And those areas whatever commercial centres or a large number of passengers are actually the most developed traffic places. (H6)

Small hotels will pay much attention to passenger traffic as it largely decides its revenue. It will be more accessible to consumers if it is located in a convenient area. Otherwise, it will not be easily found by the public. (H7)

The findings were consistent with the research of Johnson & Vanetti (2005) who summarized that the national infrastructure of the region was one of the most important variables for locational strategies. Further their research about the importance of infrastructure who was paid

much attention only in the European Union while the highest growth rate is currently the Asia-Pacific area, this study noted that road accessibility will still be one of the main reasons for hotels choosing the location. This is resonated with Ivanov & Ivanova (2017) who indicated that the quality of infrastructure has a positive relationship with the growth of the tourism industry while determining hotel location selection.

The findings are in line with Wall et al. (1985), Ashworth & Tunbridge (1990) and Yang et al. (2012) who have explored the impact of different public transportation services on hotel location selection. Moreover, Yang et al. (2012) pointed out that the change of urban transport structure in Beijing (from bus to underground) has a significant influence on the new property location as the transport system results in passenger flows within the metropolis.

As mentioned by H7, transportation convenience will be crucial for small hotels as it will help customers to find it and be more accessible to the public. However, it might not be an important factor for large hotel chains as they are branded known. This view was supported by L2 as the land developers will seek the famous hotel branding. The transportation factor was also overlooked by all government officers. It might be explained that the area where needs government land planning is usually in an undeveloped situation which means there is a lack of traffic reach. And it might be one of the missions which the government delegated to the land developers that build the road system in such area. Nevertheless, road accessibility will be considered in the second step, which means the accessibility of hotels to other public facilities such as bus stations, underground stations, airports and railway stations.

6.3.9 Labour Price

As the service industry, the hotel is inseparable from the participation of employees. The critical literature review before also demonstrated the trend in which large MHGs are expanding into the inner cities of China instead of settling into the metropolises might be caused by the change of labour price (Yang, et al., 2017). However, there are only 3 of 15 interviewees mentioned this factor. The following quotes are explained.

The purpose of hospitality management is to help land developers gain profits. In addition, we also consider the cost of labour. For example, it will cost more if you hire an employee in Beijing than in a small town. (H1)

Definitely, it (White Paper) will consider the economic development, demand of the market and income of citizens to match the developing goal. (G2)

The quality of the staff will of course affect the business situation of the hotel. (H6)

H1 is the only person who gave the direct sentence to describe the consideration of hoteliers, while G2 and H6 indicated that the quality of labour or the satisfaction of the employees will contribute to the result of the operating hotel. The view of H6 was consistent with the view of Van der Hoeven & Thurik (1984) who demonstrated that the intensity of labour is significantly for town hotels. In addition, their view about the labour cost is line with Ussi & Wei (2011) who found that the cost of labour is related to the FDI choice in Zanzibar.

As one of the influential factors considered in the previous study, labour price means the average labour income in the specific area. However, according to the results, the impact of labour price on the location selection issue of the hotel is not as expected. Labour price has received little attention during the interviews which was strongly opposed to the initial proposal. It might be due to the change of labour price being much smaller if compared with the cost of construction.

Table 27 Framework Analysis

Interviewees	Questions	Answers	Coding
H1	B2-1	It depends on the specific hotel. In Hilton, the developing department is usually responsible for such issues and they are normally working in a team.	the developing department
	B2-2	Political issues are really important factors in China, especially when it comes to the problem of nationality. Hotel groups has only one obvious purpose during the locational decision-making process, which is profit. Maximizing profit is not only the goal of our shareholders but also really important for us. Therefore, we have to consider a key word, the period of return on assets. The shorter will be better. This is also the reason for the most of MHGs why they would like to expand in the low-end market share rather than luxury market. They do not really want to invest amount of money into building a skyscraper like Burj Al Arab Jumeirah which will cost a long period to get their money back. I believe that rate of return on investment is the primary reason for expanding. And of course, it is also the decisive factor for choosing location. If the project has shorter returns, faster profits and consequently lower costs will definitely result in building a property there.	Political issues (Government) Profits; payback period; Develop trade
	B2-3	Yes, the current developing situation of Hilton Worldwide has close relationship with the land developers. The purpose of the hotel management is	Hilton; Profits; Land developers

		getting profits for land developers.	
	B2-5	It is not the main factors, but it will play a conclusive role in the development of the city, image project, the market saturation of hotels in the certain region.	Conclusive role
	B3-1	It is based on the hotel's knowledge or understanding about the certain region. For example, if you are familiar with the Chinese market, it will be much easier to entry this dimension.	understanding
	B3-2	The development of MHGs themselves. If there are 2 or three companies with the willing to collaborate for 5-year period, it will accelerate the speed of entering a new market. In addition, the saturation of hotels in a certain region is also really important. As a result, government plays an imperative role in the process of setting up a new property. Government has a wide controlling not only in the land planning but also the balance of market. For example, if this region has a lower degree of the saturation of hotels, the government will encourage MHGs settling a new property in this region. For example, it is impossible to encourage the hotel groups put a new hotel in Beijing, Shanghai, Guangzhou, or Shenzhen, as the saturation of hotels in such areas has reached the summit. However, it is still rarely to see more new hotels in Xinjiang province, although the saturation of hotels in Xinjiang is in a lower position. It is because of the market factor, the volume of market size.	Long-term cooperation; Imperative role; Market Condition

	B3-3	Will consider. The purpose of hospitality management is helping land developers gain profits. In addition, we also consider the cost of labour. For example, it will cost more if you hire an employee in Beijing than in a small town.	Profits; labour price
	B3-4	Both of them are possible. It is important to be aware that whether the type of hotel is suitable for the type of city when decided to expand into a new market. An example here is that, Beijing as the capital of China, could be regarded as a tourism city and commercial city simultaneously. In other words, it is suitable for both travellers and business people. However, it might not be reasonable for a business hotel to open in Sanya where it is only a tourism city. The result is that in Beijing, you could see a lot of business hotels, budget hotels and luxury hotels while in Sanya, most of them are tourism resort village.	Types of hotel; Transportation
	B3-5	Yes, nevertheless, it is usually to see that hotels will ask the master of Fengshui to measure and calculate when they are ready to pre-operate. In addition, it is normally to see that lion dancing (a traditional Chinese dancing performance) in every first day of Chinese new year in order to bring the lucky and fortunate	Fengshui

		to the hotel. Moreover, it also affects the direction of desks in the office.	
	B3-6	Yes. Hotel is a complex of social behaviour reflected a social condition. For example, when a plague or natural disaster occurs, there will travel alerts which will affect the operation of hotel. Therefore, when it comes to the decision-making process of hotel location, corresponding predictions is necessary for the hotel company.	Social behaviour (Culture)
L1	B2-1	Actually, hotels are normally the part of the real estate project. According to the requirement of the real estate, hotel is usually the component of the project. Generally, those hotel corporations or as you said, multinational hotel groups such as Hilton and Marriot, they do not bid for the land which is listed for sale in the auction hold by the local government. They usually play as managers instead of owners. The entry mode of these hotel companies is mostly management contract. The decision making process of management contract is totally different with the whole ownership way. Therefore, all of those hotels are built by the real estate developers instead of hotel corporations themselves.	Government
	B2-2	Government has the influence on this decision making process. Hotels, as an accommodation for business and leisure travellers in the city, has their own	Government

		abilities to meet the various demands from different groups. Government will issue some requirements in some cities' land plans which should include luxury hotels as part of the development. In some cases, hotels are the targets commanded by the local government. It is the responsibility of the real estate developers to build a hotel in the purchased land.	
	B2-3	<p>Yes, absolutely. Although not all of the land development project will be added requirements by the government, they will ask the land developers to satisfy the standard of star-level for those specific projects. The government will also require the mount of investment including the level of hotel in the purchased land.</p> <p>As the land developers, they will consider that whether the hotel is suitable for the overall investment since there are other projects including retailing and commercial residential building in the purchased land. In addition, key performance indicators such as cash flow and return on investment are other factors the land developers should also take into consideration.</p>	Investment; KPI (such as cash flow, return on investment)
	B3-1	First of all, these multinational hotel groups have competitive reservation system. The quality of hotel and competitive reservation system are powerful tools for those multinational hotel groups. Targeted passenger flow is a	Reservation system; targeted passenger flow

		negotiating point for both the land developers and multinational hotel groups. Therefore, multinational hotel groups will consider the following factors: city, area, traffic, the ability of land developers and the number of guest rooms of the expected hotel.	(market size); city area; transportation
	B3-2	Not all of the hotels could meet the standards of multinational hotel groups. Only when these conditions are met the requirements of multinational hotel groups, they will negotiate with the land developers. As for the details of the contract, it will involve the issues including the number of appointed employees with the adopted way of managing. More importantly, the minimum revenue should also be included into the contract. Based on the accepted contract, the land developers choose the service provider and constructor for the hotel company during the development of the land. In addition, hoteliers prefer the land developer to choose their frequent cooperative partners in order to ensure the quality of the facilities.	Revenue;
	B3-3	Actually, they do not think about the price of land rent since it is the management contract which means the ownership of land asking multinational hotel groups to operate in the properties instead of leasing the land. The price	Return on the investment; Market size

		of land rent is linking to the issue of the return on the investment. However, hoteliers will suggest the room rates to the land developers which indicates the standard of service and relates to the profit. Hoteliers would provide the expected customer flow to the land developers according to their market research.	
	B3-5	It is necessary. Because the hotel industry has weakness of the economic vulnerability which includes lots of unpredictable factors such as the decisions of government, war and natural disaster.	Culture; Political environment
H5	B2-1	Usually, hotel groups will have a department aiming at attracting investment. It could be the marketing department or sales department. For instance, Greentree (one of famous hotel chains in China) has a special department called “zhaoshang” (literally means attracting investment), which is responsible for the issues of location selection. In addition, in some hotel companies, it might be called as “waituo” (literally means outside extension) department. You can understand it as a branch of the marketing department.	Marketing department; Sales department; ‘waituo’ department
	B2-2	In terms of the multinational hotel groups, the consumption ability of customer and the power of government might be the most important external	Government

		stakeholders. The location should have a certain customer group with purchasing power. Otherwise, it will be failure to settle the property there. In addition, the good relationship with government (Guanxi, he mentioned the exact words) could bring the opportunities of holding meeting.	Guanxi
	B2-3	In China, the large-scale hotels are normally developed by the real estate investors. A lot of real estate companies are engaged in the hotel projects recently. The reason is that the land provided for bidding is always along with some requirements according to the planning made by land administrative bureau. Therefore, if the land is fascinating for the land developer, they have to face the challenge to fulfil the mission asked by the government. After purchased the land, the land developers will find a hotel company as their partner to finish the task. Of course, the government does not restrict on the specific hotel brand. However, they will ask the requirements such as the star-level, the room size and so on.	Land administrative bureau; Government
	B2-4	Government has greater influence on the location selection issues when it comes to compare with the land developers.	Government;
	B2-5	Government plays an important role in the hotel properties location selection, which is like a principle tries to find some agents (developers) to delegate the tasks. In fact, most of land developers they are not willing to engage in the hotel	Important role

		project since the huge investment and long return period, if they compare it with the commercial residential building.	
G1	B2-2; B2-3	China's land model, in other words, land transferring can be divided into two categories. One is the assignment of the land right. The land for the assignment is deploying for the needs of public welfare project such as schools and hospitals. The other one is 'Zhao, Pai, Gua' (bidding, auction, quotation), which is applied to the project of profit-oriented land. The questions of hotel are about profit-oriented projects. These projects are important components on perfecting urban service function.	Land administrative bureau (Government); Profit
		Government's opinions are derived from plan. For example, if this place has been decided to deploy a school, then it is impossible for a hotel to construct a property here. In order to complete functions of city, it might be necessary to build a hotel in the location where is picturesque. However, the plan is normally designed up to two decades ahead of when the construction may be needed. For example, each province normally needs a conference reception centre in the capital city. Therefore, the plan will allocate an area for building an upper-class hotel with meeting rooms.	Government; Tourism attractions

		<p>Therefore, it is a really important issue that political environment should be exclusively stable according to my mentioning procedure above. The consistency of policy is crucially important. It is impossible to change the usage of land suddenly. For example, it is not allowed to transfer the profit-orientated land which was allocated for hotels into the collective constructive land without the permission of plan. The legitimacy of procedure is protected by the law. And it is the regulation for business survival in such a big macro-environment.</p> <p>And there is another situation, new districts of city. With the development of city, especially these years, the requirement of urban land has increased dramatically. In order to face the challenge, city always maps a region for new district probably without the completed planning. For those areas that government has not decided the usage of land, it is possible to change the purpose according to the different applicants' proposals. For example, a hotel company is able to communicate with government if they take a fancy to the value of investment on this place. Government, of course, will consider their opinions according to how much they could bring in tax and how many jobs could they create. Therefore, it is a dynamic and mutual mode instead of static and single direction.</p>	<p>Political environment</p>
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		<p>However, the location decision-making process is the initial stage of the process. It is hard to say who is the most important one. Government has the right to decide which area will be used for hotels. But hoteliers will affect the decision of government. It is a coordination process decided by market.</p>	<p>Market demands</p>
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6.4 Decisions-making process

Based on the results of the interviews and framework analysis (see Table 27), it provides a clear process of the hotel property location decision-making process, especially based on the statement pointed out by G1 and L2. As the following quote explained:

Actually there is more than one party in the process of hotel development from zero to final operation. It is always referring to five different professional subjects in a luxury hotel developmental project ... Firstly, as you mentioned, developers or property investors are responsible for acquiring the right of developing land ... Then, the hotel consultancy company will take part in the process with help in positioning, designing of assignment book and filtering hotel brands ... The third player is a hotel design company with the design details of the hotel. It includes architectural design, interior decoration design, mechatronics design, and circuit design and so on. Based on their work, the project construction company will join the process... The final anticipant is the hotel operator. (L2)

More than one party has proved that the previous proposal based on the critical literature review real exists in the current Chinese hotel industry. Many interviewees (H1, H2, H4, L1, H5, G1, G2, L3, L4, L5, H6, L6, and H7) also supported that government policy plays a significant role in the hotel locational decision-making process. In addition, it should be noted that all groups have the same interested factor market size (shown in the following Table 28). This is the reason why they will collaborate together to reach the final decision agreement. Although each group has their own pursuit such as the government probably aims at enhancing the stability of the environment in order to keep their governing right, land developers and hoteliers attempt to acquire the profits.

It can be argued that government officers rarely paid attention to the cultural distance and road accessibility as these factors only related to the performance of the company.

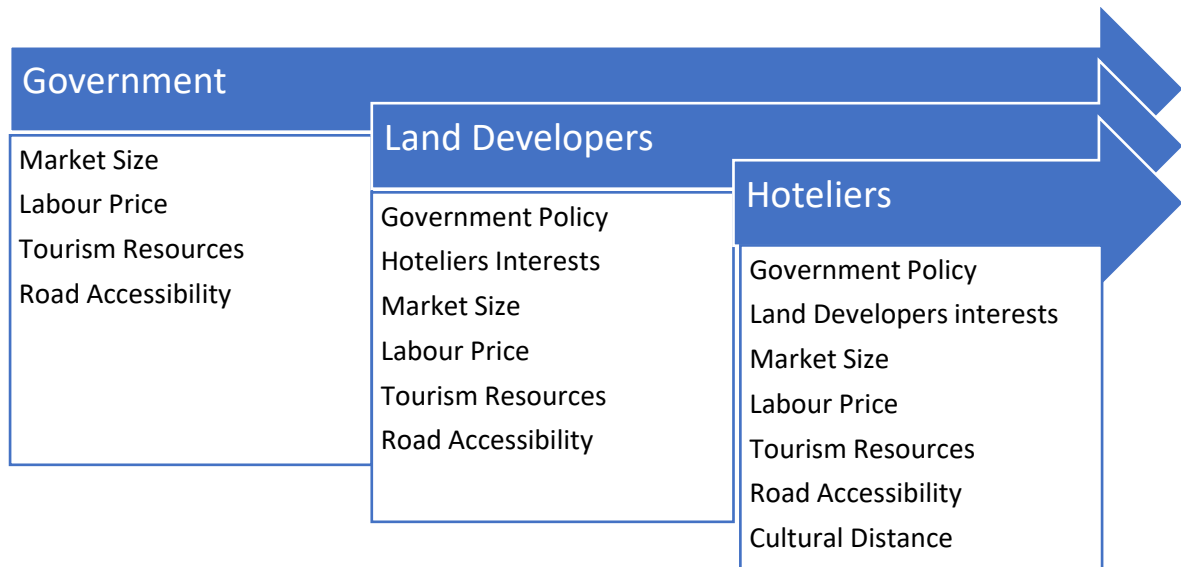
Few of hoteliers consider company size and labour price since they all belong to large MHGs who merely pay attention to themselves. L1, L2, L3, L4 and L5 gave evidence that it was the landowner who negotiate with the hotel brand operator regarding hotel location. Therefore, company size will only be the factor for land developers to consider during this decision-making process. As mentioned before, labour price was the surprising factor that has received few considerations, which was contrary to the literature review. However, it is probably due to the reason that the change of labour price is relatively small compared to the cost of building a new hotel property.

Table 28 Most and least welcome factors based on the interviewing results

Groups	Most welcome factors	Least welcome factors
Hotelier	Market Size	Company Size/ Labour price
	7	2
Land Developer	Market Size	Labour price
	6	0
Government Officer	Market Size/ Government policy	Cultural Distance/ Road accessibility
	2	0

Based on the results of interviews, the factors were mapped into different categories in the following Figure 28. As it is clearly presented that, three groups are all affected by the market size. However, it is the policy made by the government which will influence the actions of the other two groups, hoteliers and land developers. Simultaneously, hoteliers will be influenced by cultural distance, international experience and environment while land developers will be affected by company size, tourism resources and road accessibility with the few considerations of labour price.

Figure 28 Influential Factors Based on the Answers from Interviewees



6.5 Conclusion

The purpose of this chapter was to provide the practical evidence for the theoretical model of the study and meet the second aim. The qualitative data results presented principal determinants suggested by industrialists including hoteliers, land developers and government officers regarding the hotel choice of location in mainland China.

The practical implications from this part are clear. Firstly, it is apparent from the interviews that the market size played a dominant role in the perceptions of the location selection among MHGs in China. Besides, the findings emphasize company size and political issues as the main influential factors for the company locational strategies, which was categorically backed up by the field research. Cultural distance and international experience of hotel brand were also agreed by many interviewees from different groups. Tourism resources and road accessibility have attracted much attention from land developers while none of the government officers mentioned it. However, labour price, which has been mentioned in previous research, has only been

mentioned by three interviewees. Although this study has attempted to shed new light on the labour price change in the Chinese hotel industry market, it is limited by the results of interviews.

Secondly, the results of interviews demonstrated the complicated decision-making process of hotel location choice, which was consisted of hoteliers, land developers and government officers. Based on the answers from respondents, the decision-making process can be depicted as three steps. The local government initiated the land plan called a White Paper for requesting the land developers to bid the land. Then, the land developers choose the hotel company who is willing to operate in the property. However, it is necessary to consider the influential factors mentioned above in order to meet each group's goal.

Chapter 7 Model Specification and Empirical Analysis Results

In this Chapter, the econometric specification of the models are presented to test the relevant hypotheses, the estimation strategy and a potential explanation of the empirical results obtained for MHG location selection in mainland China. The main objective in this section is to test the relationship between three players in the decision-making process and which factors affected the hotel's property with the application of Game theory. In Chapter Three, several theoretical econometric models regarding the tourism industry were analysed and discussed. With the conclusion of the literature review, there are three models were built respectively in the process of selecting the location of hotel property regarding the hotel property selection issues. The methods applied to demonstrate this phenomenon of location choice include econometric techniques such as the test of endogeneity based on the theory provided by Hausman (1978).

The chapter is organised into three main sections. It starts with the model of government, followed by the empirical analysis. Next, the empirical analysis is deployed to test the validity of the land developer model. Thirdly, it analyses the regression model for hoteliers by using descriptive statistical analysis, correlation analysis and linear regression to build the equation models.

7.1 Model Specification

7.1.1 Model Justification

Previous models using theories such as the transaction theory, the resource dependency theory or the OLI framework have been investigated different influencing factors of the location strategy (Alon et al., 2012; Andreu et al., 2017; Johnson & Vanetti, 2005; Yang, et al., 2012). Hotel locational strategy issues are together with business expansion strategies (Lee, 2002) through brand affiliation (Cai, 2004), franchising (Heung et al.,

2008) and joint venture (Kivela & Leung, 2005). The spatial distribution of hotels in China was initially discussed in Begin's (2000) and Shu and Dai's (2006) studies. However, these models ignored the specific situation of the Chinese hotel industry such as cultural distance and government influence which was deeply discussed in Chapters 2 and 3. With the development of the Chinese hotel industry, this gap has been amplified as more MHGs has pipelined in mainland China.

Tran and Thompson (2015) suggested that two country's tourism strategies are relatively dependent on each other and the best responses for China and Japan are boosting their economies with engagement in tourism development. The application of game theory in their study indicates that the strategies of China and Japan reveal substantial interdependencies to each other. However, due to the limitation of classical game theory, the assumption of their research is stationary, which assumed that there would be no change in the surrounding reality of international tourism flow patterns.

Empirical and theoretical studies have identified various factors that affect the locational strategy of a company. The decision-making process of location strategy always takes many theories even some of them from different disciplines into account. These theories include geographical (Egan & Nield, 2000; Shoval, 2006), economic (Johnson & Vanetti, 2005; Kalnins & Chung, 2004; Kundu & Contractor, 1999) and marketing theories (Baum & Haveman, 1997; Urtasun & Gutiérrez, 2006). In order to access the determinants of locational strategy in the context of finding best responses for hoteliers, government and land developers, the econometric models will be based on the given equations based on the literature chapters. Considering the purpose of this study, the appropriate form of the equation of this study can be depicted. In order to test the impact of the selected variables such as the regional economic growth (Andreu et al., 2017), the influence of culture (Altinay, 2005) and the convenience of transportation (Egan & Nield, 2000) for different roles in the selection choice of location. With the consideration of the results of the literature review and the qualitative analysis, three different choice models are estimated:

(1) the government model, which indicates the interests of regional governments,

Government Model (Model I):

$$GDP_{p,t} = \alpha_1 + \gamma_1 MHG_e + \gamma_2 LD_e + \gamma_3 market + \gamma_4 lab + \gamma_5 site + \gamma_6 road + \mu_t \quad (7.1)$$

(2) the developer model, which addresses the purposes of land developers. The models are as follows:

Land Developer Model (Model II):

$$LD_{p,t} = \alpha_2 + \lambda_1 MHG_e + \lambda_2 GDP_e + \lambda_3 market + \lambda_4 lab + \lambda_5 site + \lambda_6 road + \theta_t \quad (7.2)$$

(3) the hotelier model, which reflects the payoff of multinational hotel groups while entering the Chinese market,

MHG's Model (Model I):

$$MHG_{p,t} = \alpha_3 + \beta_1 GDP_e + \beta_2 LD_e + \beta_3 market + \beta_4 lab + \beta_5 site + \beta_6 road + \beta_7 DUMP + \beta_8 DUMC + \varepsilon_t \quad (7.3)$$

In general, it is better to have these three models for the following reasons. Firstly, the issue of hotel property selection cannot include all the player's payoff in one equation. A single model cannot see the difference in the overall effects clearly unless the three players are separated. Secondly, it will create an autocorrelation problem if includes all the variables into one equation (Wang & Fuller, 1982), where the construction of the land developers is commonly resulting in the development of the economy which is represented as the increase of the GDP. More importantly, all the variables in a Vector Auto Regression (VAR) are treated symmetrically; each variable has an equation explaining its evolution based on its own lags and the lags of all the other variables (Holtz-Eakin, et al., 1988). The VAR approach assumes all variables in the system are potentially endogenous, so each variable is explained by its own lags and lagged values of the other variables. The variables are influencing each other, as for example the growth of MHG in year t is influenced by the number of MHG from the previous period.

Likewise, the growth of land developers in year t is influenced by the investment of land developers from the previous year. However, it will be much overlooked if put all the variables into one equation as there might also exist a multicollinearity problem in the model. This study focuses on the location choice in mainland China with the time period from 1999 to 2018 (20 years). This period of study was chosen because of the availability of the data for the variables.

In Model I the research aims at addressing the influential factors considered by the government within the hotel property selection of the MHGs among the process of business expansion in mainland China. Model II tries to explore the interests of land developers regarding this decision-making process. Additionally, Model III tries to capture the interests of MHGs while controlling the impacts from other two players government and land developers during the process of new hotel property selection.

7.1.2 Type of Panel Data

A panel data set contains n entities or subjects, each of which includes T observations measured at 1 through the t time period. Therefore, the total number of observations in the panel data is nT . Panel data are normally measured at regular time intervals (e.g., year, quarter, and month). Otherwise, panel data should be analysed with caution. Considering the aims and objectives of this study, the data were collected through 1999-2018 Yearbook of statistics of China which were presented yearly.

7.1.1.1 Long versus Short Panel Data

A short panel has many entities (large n) but few time periods (small T), while a long panel has many time periods (large T) but few entities (Cameron & Trivedi, 2009). A short panel data set is wide in width (cross-sectional) and short in length (time-series), whereas a long panel is narrow in width. It should be noticed that a small number of observations might cause Type I error while a large number probably results in Type II error. In this case, the data collected from the Yearbook of Statistics of China and the National Bureau of Statistics has formed a long panel with 20 time periods and 9 entities

of different cities.

7.1.1.2 Balanced versus Unbalanced Panel Data

In a balanced panel, all entities have measurements in all time periods. In a contingency table of cross-sectional and time-series variables, each cell should have only one frequency. Therefore, the total number of observations is nT . The data collected for this research can be summarized in Stata 14 as follows:

```

xtset city Year, yearly
      panel variable:  city (strongly balanced)
      time variable:  Year, 1999 to 2018
      delta: 1 year
  
```

7.1.1.3 Descriptive statistics of panel data

Following figure 7.1 shows the summary of the panel data including nine cities, Beijing, Shanghai, Hangzhou, Hefei, Guiyang, Nanning, Sanya, Yueyang and Urumqi respectively (named 1, 2, ..., 9) through 1999 to 2018 yearly. Therefore, the data applied in this study is a long panel data within $n=9$ and $T=20$.

Figure 29 Panel Data

```

city: 1, 2, ..., 9                      n =          9
Year: 1999, 2000, ..., 2018            T =          20
Delta(Year) = 1 year
Span(Year) = 20 periods
(city*Year uniquely identifies each observation)
  
```

Distribution of T_i:							
	min	5%	25%	50%	75%	95%	max
	20	20	20	20	20	20	20

Freq.	Percent	Cum.	Pattern
9	100.00	100.00	11111111111111111111
9	100.00		XXXXXXXXXXXXXXXXXXXX

7.2 Empirical Analysis Result: Government (Model I)

7.2.1 Description of Variables

7.2.1.1 Gross domestic product (GDP)

In the government model, this study aims at exploring the focus of the local government during the expansion of MHGs in mainland China. GDP has been regarded as the most extensively established measure of a nation's economic performance (Marcuss & Kane, 2007; McCulla & Smith, 2007). The Gross Domestic Product (GDP) in the different cities of mainland China represented the independent variable in the model (2) and (3) and the dependent variable in model (1). It is considered as one of the most important variables in terms of economic growth. As declared above, the cities were chosen according to the criteria of Tier classification (details in the following table). Beijing, Hangzhou, Hefei, Guiyang, Nanning, Sanya, Yueyang and Urumqi were selected from Tier 1, 1.5, 2 and 3 as examples which also include the spatial consideration from coastal to inland and from north to the south. It is also due to the availability of acquiring the data for the variables.

Table 29 Location of selected cities and tier brand

City name	Location in China	Tier brand
Beijing	North	1
Shanghai	East	1
Hangzhou	East	1.5
Hefei	Middle	1.5
Guiyang	South West	2
Nanning	South	2
Yueyang	Middle	3
Sanya	South	3
Urumqi	West	3

Source: Yicai (2020) accessed at <https://www.yicai.com/news/100651087.html>.

As shown in Table 29, the selected cities are evenly located in mainland China from coastal to inland, west to east, and south to north. With the consideration of spatial influence, economic development, and tourism resources, this study adopted stratified cluster sampling (Thompson, 1991). The rules for selecting observation areas depicted as follows. Firstly, tier brands have been chosen as the classification of the Chinese cities. Therefore, the sample included cities from four different grades. Then, cities in China were divided into five regions according to their geographical location which are East, West, South, North and Middle. The sample included cities from different regions. In addition, the tourism resources of the city were classified as abundance, mediocrity and lack according to the number of AAAA (4A) and AAAAA (5A) national-level scenic spots. The sample included all these three situations. Moreover, the sample was selected due to the administration effects as there are capitals of provinces and non-capital cities.

Beijing is the capital city of the people's republic of China located in the north of mainland China and Shanghai is believed as the economic centre of China at the eastern coastal line which these two cities are both from the top tier. Hangzhou, not far away from Shanghai which is also known as the Yangtze river delta, is from 1.5 tier and is

regarded as the new developing engine of the economy and also as the example of heritage protection and tourism priorities (Wang & Bramwell, 2011). Hefei has just become one of the 1.5 tier cities in 2020 (CBN, 2020) located in the middle part of China as the capital of Anhui province. Yueyang is also located in the middle part of China and is regarded as one of tier 3 cities. Guiyang is a second-tier city as well as Nanning which are capital cities for Guizhou and Guangxi province respectively. Considering the southern part of China, Sanya is selected not only due to its famous tourism resources but also the development position in the current era. Urumqi is the provincial capital of Xinjiang province and is located in the western part of mainland China and is believed also as a tier 3 city. As stated above, this study additionally considers the difference between the spatial location where Beijing is in the north part of China, Shanghai and Hangzhou are based in the east part, Hefei and Yueyang are located in the middle part of the province, Guiyang is at the south-west corner of China, Nanning and Sanya are in the south of China, while Sanya is much more southern located in Hainan island and Urumqi is settled in the west part of China.

Figure 30 Map of China



7.2.1.2 Market size (market)

The size of the market is measured by the number of arrival tourists in the specific cities chosen above Beijing, Shanghai, Hangzhou, Hefei, Guiyang, Nanning, Sanya, Yueyang and Urumqi in p time. As the main purpose of a hotel is to provide accommodation for tourists. It assumes that this variable has a strongly impact on both economic growth and hotel development which is also together with the building projects for land developers.

7.2.1.3 Labour (lab)

Based on the definition provided by The World Bank (2015), labour has been regarded as “the proportion of the population ages 15 and older that is economically active: all people who supply labour for the production of goods and services during a specified period”. This variable plays an important role in economic growth and the labour-intensive industry such as the hospitality industry. Labour can be measured in different ways, depending on data availability: the size of the labour force, number of hours worked and the population size. The average salary of labour was included in this study to identify the influence of the labour which acquired from the National Bureau of Statistics of China.

7.2.1.4 Land (land)

Considerable attention has been given to the influence of land price on the development of the hospitality industry (Alon et al., 2012; Andreu et al., 2017; Guillet et al., 2011). Location advantages could be regarded as the location-specific advantages to attract companies moving towards. Investment in Real Estate Development include the investment by the real estate development companies, commercial buildings construction companies and other real estate development units of various types of ownership in the construction of house buildings, such are hotels, holiday supply and other projects of infrastructure.

7.2.1.5 Tourism site (site)

Tourist attractions rating system is used by the Chinese authorities to score the quality of the attraction ranging from safety, cleanliness, sanitation, shopping and transportation (distance to nearest airport). Based on the document released by China National Tourism Administration which now known as Ministry of Culture and Tourism in 2003 (accessed at <http://bmfw.www.gov.cn/lyjgj5Ajjqcx/index.html>), there are five categories: A (or 1A, the lowest level), AA (2A), AAA (3A), AAAA (4A) and

AAAAA (5A, the highest level). The number of tourists visiting the attraction is also an indicator and plays on the rate which 5A tourist attractions are more than 600,000 people including 50,000 from overseas while 4A attractions have more than 500,000 visitors per year. The number of tourism sites above 4A level shows the richness of tourism resources in such area. However, it should be noted that the first wave of 4A tourism attractions were awarded in 2004 while the first wave of 5A tourism sites were admitted in 2007. In addition, the tourism site could be enhanced from 4A to 5A but also is able to be decreased from 5A to 4A.

7.2.1.6 Road (road)

It has been re-emphasized that road accessibility plays a vital role in attracting hotel business (Arbel & Pizam, 1977; Barros, 2005; Chou et al., 2008; Tang et al., 2012). The convenience of public transport is measured by the number of public transit vehicles, it represents the traffic accessibility through the public transportation infrastructure. The data was collected from the national statistics bureau.

7.2.1.7 Estimations of Land Developers and MHGs

In order to achieve the research objective of having deep insight into the hotel location decision-making process, this study used the estimated values of the dependent variables from respective equations (Model I, II and III) to enter as independent variables in other equations. This method is inspired by Agarwal et al. (2009), who applied a three-stage least square estimation procedure to examine the determinants of the economic performance of English rural local authority districts. In the current research, this technique aims to build the connection between three major stakeholders, hoteliers, land developers and the government with the consideration of interests of each other. Instead of using lagged nominal values, this technique enables the research to incorporate the linkage amongst the major stakeholders.

These variables were generated from linear regression of the three Models by using the method of ordinary least squares (OLS) to minimize the sum of the squared error term.

It can be explained by the equation as follows:

$$\begin{aligned}\mu_i &= Y_i - (B_1 + B_2X_{2i} + B_3X_{3i} + \cdots + B_kX_{ki}) \\ &= Y_i - \mathbf{BX}\end{aligned}$$

$$\sum u_i^2 = \sum (Y_i - B_1 - B_2X_{2i} - B_3X_{3i} - \cdots - B_kX_{ki})^2$$

Where the sum is taken over all observations.

The estimating regression can be written as:

$$Y_i = b_1 + b_2X_{2i} + b_3X_{3i} + \cdots + b_kX_{ki} + e_i$$

Letting

$$\hat{Y}_i = b_1 + b_2X_{2i} + b_3X_{3i} + \cdots + b_kX_{ki} = bX$$

Then

$$Y_i = \hat{Y}_i + e_i = bX + e_i$$

Where \hat{Y}_i is an estimator of the population model.

7.2.2 Data Analysis of Model I

7.2.2.1 Analysis of Variance

The one-way analysis of variance has been widely used to determine whether there are any statistically significant differences between the means of groups by comparing the means through groups. The null hypothesis is as follows:

$$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5 = \mu_6 = \mu_7 = \mu_8 = \mu_9$$

$$H_1: \mu_i \neq \mu_j \text{ for at least one } i \text{ and one } j$$

Where μ_k is the group meanwhile k is the number of groups given as 1, 2, 3, 4, 5, 6, 7, 8 and 9, namely Beijing, Shanghai, Hangzhou, Hefei, Sanya, Yueyang and Urumqi. According to the result presented in the following Table 30, it shows that *p-value* is less than 0.05 statistical level. The null hypothesis was rejected, which means that the means of GDP in different cities are statistically significantly different from each other.

Table 30 Analysis of Variance

Source	Analysis of Variance			F	Prob > F
	SS	df	MS		
Between groups	5.2818e+21	8	6.6022e+20	31.58	0.0000
Within groups	3.5751e+21	171	2.0907e+19		
Total	8.8568e+21	179	4.9479e+19		

Bartlett's test for equal variances: $\chi^2(8) = 303.3792$ Prob> $\chi^2 = 0.000$

The following Figure 31 presents the results of the Bonferroni test regarding the comparison of GDP in different cities. Based on the following table, the value of 1.000 means that the two variables have no significant difference by passing the Bonferroni test while the other p value less than 0.05 means that there are significantly different with each other variables.

Figure 31 The Results of the Bonferroni Test

Analysis Source	of SS	Variance df	MS	F	Prob>F			
Between	groups	5.282e+21	8	6.602e+20	31.58	0		
Within	groups	3.575e+21	171	2.091e+19				
Total	8.857e+21	179	4.948e+19					
Bartlett's	test	for	equal	variances	chi2(8)	=	303.4	Prob>chi2 = 0
Comparison (Bonferroni)	of	Gross Domestic Production in Cities		by	City Name			
Row	Mean-							
Col	Mean							
Guiyang	-1.200e+10	Beijing	Guiyang	Hangzhou	Hefei	Nanning	Sanya	
0								
Hangzhou	-7.600e+09	4.500e+09						
0	0.0850							
Hefei	-1.100e+10	1.500e+09	-3.000e+09					
0	1	1						
Nanning	-1.200e+10	4.000e+08	-4.100e+09	-1.100e+09				
0	1	0.201	1					
Sanya	-1.300e+10	-1.100e+09	-5.600e+09	-2.600e+09	-1.600e+09			
0	1	0.00500	1	1				
Shanghai	2.300e+09	1.400e+10	9.900e+09	1.300e+10	1.400e+10	1.600e+10		
1	0	0	0	0	0			
Urumqi	-1.200e+10	-3.400e+07	-4.500e+09	-1.500e+09	-4.400e+08	1.100e+09		
0	1	0.0790	1	1	1			
Yueyang	-1.200e+10	1.500e+08	-4.300e+09	-1.300e+09	-2.500e+08	1.300e+09		
0	1	0.119	1	1	1			
Row	Mean-							
Col	Mean							
Urumqi	-1.400e+10	Shanghai	Urumqi					
0								
Yueyang	-1.400e+10	1.900e+08						
0	1							

It is in line with the classification of the city tier that Beijing and Shanghai are in the top tier cities which has no significant difference among the means of these two cities' GDP. However, the GDP of these two cities are both statistically significantly different from other cities. In addition, the mean GDP value of Hangzhou and Hefei have no significant difference which is both from 1.5 tier. However, although Guiyang is from tier 2 cities, the means of GDP in Guiyang is not significantly different from the means of GDP in Hefei as the p value is not less than 0.05. It can be explained that Hefei just rides into tier 1.5 cities in 2020 and the classification rule of different tier brands is not only due to the development of GDP.

7.2.2.2 Heteroskedasticity test

The test is based on the null hypotheses as follows:

$$H_0: \sigma_i^2 = \sigma^2 \text{ for all } i$$

$$H_1: \sigma_i^2 \neq \sigma^2$$

Results presented below show that the null hypothesis is failed to reject as the p-value (0.1642) is larger than 0.05. Therefore, it can be concluded that residuals are homogeneous. In other words, the model does not have a heteroskedasticity problem.

Figure 32 Heteroskedasticity Test for Model I

Modified Wald test for groupwise heteroskedasticity
in fixed effect regression model

H0: $\sigma(i)^2 = \sigma^2$ for all i

chi2 (5) = 7.86
Prob>chi2 = 0.1642

7.2.2.3 Fixed Effects Model

Figure 33 Random effects GLS Regression Results of Model I

Random-effects GLS regression	Number of obs	=	180
Group variable: city	Number of groups	=	9
R-sq:	Obs per group:		
within = 0.9653	min =		20
between = 0.8106	avg =		20.0
overall = 0.8570	max =		20
	Wald chi2(6)	=	3080.66
corr(u_i, X) = 0 (assumed)	Prob > chi2	=	0.0000

lnGDP	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
LD	-.1799343	.0354428	-5.08	0.000	-.2494009 -.1104677
H	-.0003395	.0003408	-1.00	0.319	-.0010074 .0003284
lnmarket	.2136835	.0364656	5.86	0.000	.1422122 .2851548
lnlab	1.053436	.0481276	21.89	0.000	.9591073 1.147764
site	-.0096821	.0022882	-4.23	0.000	-.0141668 -.0051974
road	.0007588	.0001029	7.38	0.000	.0005572 .0009604
_cons	7.312993	.3721072	19.65	0.000	6.583676 8.042309
sigma_u	.13726621				
sigma_e	.15298159				
rho	.44601357	(fraction of variance due to u_i)			

The within R-squared reaches 0.9653 and the overall R-squared also accounts for 0.8570 which means that this model accounts for around 97 percent of the total variance in the total GDP. Based on Figure 33, there is no significant relationship between the estimation of the hotel model and the development of GDP. The results also show that land developers have played a vital role in affecting economic growth which is indicated by the p value (0.000) that is much smaller than 0.05 showing the negative influence between the investment in the real estate industry and the growth of GDP.

As shown in Figure 33, the coefficients of *lnmarket*, *lnlab* and *road* mean that increasing these variables such as the number of tourists, the average salary of the labour force and the number of public transit vehicle by 1% leads to an increase in the lnGDP by 0.21%, 1.05%, 0.237%, and 0.00076% respectively. However, the result of random effect regression shows that the number of tourism sites has a negative effect on economic growth which is opposite to the hypothesis generated from the literature review. The reasons for this result was deeply discussed in the next chapter (more details in Chapter 8).

Based on Figure 33, the regression equation of government can be summarized as follow:

$$\begin{aligned} \ln GDP_{p,t} = & 7.312993 - 0.0003395MHGs_e - 0.1799343LD_e \\ & + 0.2136835\ln market + 1.053436\ln lab - 0.0096821site \\ & + 0.0007588road \end{aligned}$$

7.3 Empirical Analysis Result: Land Developer (Model II)

7.3.1 Description of Variables in Model II

In the land developer model, this research aims at investigating the interests of the real estate company during the expansion of MHGs in mainland China. The locational strategy of hotels have been discussed by many scholars from different perspectives such as competitive advantage (Porter, 1990), transaction cost theory (Coase, 1937); the internalization paradigm (Buckley & Casson, 1996; Oviatt & McDougall, 1994), foreign direct investment (FDI) (Kundu, 1994), and eclectic paradigm models (Dunning, 2001). Based on the aims of this research, the amount of investment in real estate development was selected as the reflection of the interests of land developers. More spending on investment in real estate development will result in more prosperity in the real estate industry.

7.3.2 Data Analysis of Model II

7.3.2.1 Correlation Test

Based on the table below, it clearly shows the Pearson correlation coefficient at a significance level of 0.05 which indicates that the risk of concluding that a correlation exists is 5%. It demonstrates that there is a strong positive relationship between $\ln GDP$ and $\ln land$ which Pearson r is 0.9229 while $\ln lab$ and $\ln land$, $\ln market$ and $\ln GDP$, and $site$ and $\ln lab$ also have large positive relation which the coefficient is 0.8036, 0.8046, and 0.8026 respectively. The number of MHGs has a moderate positive relationship

with the investment in real estate development (Pearson $r=0.5459$).

Table 31 Correaltion Test

	lnland	MHG _s	lnGDP	lnmarket	lnlab	site
lnland	1.0000					
MHG _s	0.5459*	1.0000				
lnGDP	0.9229*	0.6278*	1.0000			
lnmarket	0.7487*	0.7083*	0.8046*	1.0000		
lnlab	0.8036*	0.3748*	0.7153*	0.6300*	1.0000	
site	0.6822*	0.7164*	0.7128*	0.6708*	0.8026*	1.0000

7.3.2.2 Heteroskedasticity test

The Modified Wald test for groupwise heteroskedasticity is based on the null hypotheses as follows:

$$H_0: \sigma_i^2 = \sigma^2 \text{ for all } i$$

$$H_1: \sigma_i^2 \neq \sigma^2$$

Results presented below show that the null hypothesis is rejected as the p-value is less than 0.05. Therefore, it can be concluded that the model has a heteroskedasticity problem. In other words, the variance for all observations in the data set is not the same.

Figure 34 Heteroskedasticity Test for Model II

```
Modified Wald test for groupwise heteroskedasticity
in fixed effect regression model

H0: sigma(i)^2 = sigma^2 for all i

chi2 (5) =      1041.53
Prob>chi2 =      0.0000
```

Consequently, there are two main things that need to consider. The first is that the least-squares estimator is still a linear and unbiased estimator, but it is no longer best. The other thing is necessary to pay attention that the standard errors computed for the least-squares estimators are incorrect which will affect confidence intervals and hypothesis

testing that use those standard errors. As a result, it could lead to misleading conclusions (Gujarati, 2014; Wooldridge, 2018).

7.3.2.3 Regression with robust standard errors

Based on the heteroskedasticity test result above, generalised least squares (GLS) estimator is applied to solve the problem that the ordinary least squares estimator is no longer BLUE by transforming the model into one with homoskedastic errors.

Figure 35 Random effects GLS Regression Results of Model II

```

Random-effects GLS regression              Number of obs   =       180
Group variable: city                      Number of groups =        9

R-sq:                                     Obs per group:
    within = 0.9615                        min =          20
    between = 0.0762                       avg =         20.0
    overall = 0.4955                       max =          20

corr(u_i, X) = 0 (assumed)                Wald chi2(6)    =    2866.66
                                           Prob > chi2    =     0.0000

```

Inland	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
G	-1.889465	.1107709	-17.06	0.000	-2.106571	-1.672358
H	.0039291	.000589	6.67	0.000	.0027747	.0050835
lnmarket	.3862416	.0599243	6.45	0.000	.2687921	.5036911
lnlab	1.466425	.0780831	18.78	0.000	1.313385	1.619465
site	-.0099632	.0036856	-2.70	0.007	-.0171867	-.0027396
road	-.0001802	.0001826	-0.99	0.324	-.000538	.0001777
_cons	-.2594936	.6034354	-0.43	0.667	-1.442205	.923218
sigma_u	.41503626					
sigma_e	.27097852					
rho	.7011233	(fraction of variance due to u_i)				

The result of random-effects GLS regression is presented as above. And the *Developer Model (Model II)* can be summarized as follow:

$$\text{Inland} = -0.2594936 - 1.8894656G_e + 0.0039291MHGs_e + 0.3862416\ln\text{market} + 1.466425\ln\text{lab} - 0.0099632\text{site} - 0.0001802\text{road}$$

The within R-squared is 0.9615 and the overall R-squared also accounts for 0.4955 which means that this model accounts for 49.55% percent of the total variance in the investment in real estate development. The results also show that the number of MHGs, the development of GDP, the average salary of the labour, the number of tourism sites

and the number of public transport vehicles have a significant influence on the change of the investment in the real estate industry. More specifically, increasing these variables such as the number of MHGs and the average salary of the labour force by 1% leads to an increase in the investment in the real estate industry by 0.0039291%, and 1.466425% respectively. While increasing these variables the number of 4A above tourism sites by 1% leads to a decrease in the investment in the real estate industry by 0.0099632%. In addition, the p-value of the *road* variable (0.324) is larger than the alpha level 0.05 which means that changes in the predictor are not associated with changes in the response.

7.4 Empirical Analysis and Result: Hotelier (Model III)

7.4.1 Description of Variables of Model III

In terms of Model III, the number of MHGs, as the dependent variable which is measured by the number of hotel properties in the selected cities of the mainland China namely Beijing, Shanghai, Hangzhou, Hefei, Guiyang, Nanning, Sanya, Yueyang, and Urumqi. In order to find the impact of local government and hoteliers on the land developers' decision of purchasing land property, dummy variables *DUMP* and *DUMC* are added in the model. And the *DUMP* is given the value of 0 means that the government takes back the control by limiting the function of the market and the value of 1 means that the government stimulates the market where the invisible hand will adjust the demands and supplies by limiting the role of itself. This unique economic model is usually referred to as 'socialism with Chinese characteristics' where the government takes an active role in guiding market forces. As pointed out by G2 in the interview section, the government function can be expressed through land bidding (more details in Chapter 6).

Based on the lists of real estate control policies issued by the central government of China (NBS China, 2020), a series of market-oriented housing reforms started from 1990s which was initiated in 1994 when the government allowed state sector employees to purchase full or partial property rights to their current apartment units at subsidized prices (Liu & Xiong, 2018). In response to the adverse effects generated by the 1997

Asian Financial Crisis, the national government abolished the welfare housing system to transfer the real estate industry into the marketization industry (Wang, 2011). As an important impetus to the development of the private real estate market, in 1998 the People's Bank of China (PBC) outlined procedures for homebuyers to obtain residential mortgages at subsidized interest rates (Xinhua Net, 2010). Moreover, between 1998 and 2002, the PBC lowered the mortgage interest rate five times to stimulate private home purchases. The first intervention of the government on the real estate industry was in 2004 aiming at controlling the dramatic growth on house pricing especially in the metropolises such as Beijing and Shanghai through home purchase restrictions such as a Hukou household should not own more than one unit (Sina, 2017). However, within the consideration of the 2008 financial crisis, the central government withdraw the restrictions of administrative measures on the real estate measures by decreasing the loan rate of purchasing a house (NBS, 2012). The real estate industry recovered promptly and late in 2011 the government implemented the restrictions again to limit the growth of house pricing. The local government of Hangzhou also carried out the house purchase restrictions in 2011 under the suggestion from the central government (Sina, 2017). After the surge in house price, Hefei, a former second-tier city, also adopted the action to restrain and maintain the price in 2017 (Sina, 2017).

In terms of *DUMC*, the cultural distance between the host region and MHGs is given the value of 0 means that there is no culture distance to affect the development of the hotel industry and the value of 1 means that it has culture distance. It is measured by the openness of the selected cities such as whether had international mega-events or whether had international business policies launched by the central government. The mega-events include Boao Forum for Asia, Beijing Olympic Games, Shanghai World Expo and the G20 summit. In addition, public health issue was punching on the hospitality industry during the 2003 SARS crisis, the Chinese hotel industry experienced a V-shape recovery with an 11% drop followed by an 11% increase (HN, 2020). Hainan province also launched the policy regarding the tourism industry to build an international tourism site island. As reviewed in the Chapter II and Chapter IV, two kinds of factors affecting spatial strategy that push factors (Firm-specific Advantages) and pull factors (Location-specific Advantages) have been also included in the land developer model.

As reviewed in Chapter 2, the importance of culture, especially in the Chinese

hospitality industry, has been addressed by many previous studies (Altinay, 2005; Buckley & Geyikdagi, 1996; Dunning & Kundu, 1995; Dunning & McQueen, 1982; Endo, 2006; Go et al., 1990; Gross & Huang, 2011; Johnson & Vanetti, 2005; Zhang et al., 2012). This study deploys a dummy variable *DUC* to address the impact of culture on the hospitality industry and demonstrates the openness of the selected cities which the value is given with 0 and 1 which 0 means there is no cultural distance and 1 inversely means there exists cultural distance. Three milestones should be noticed during the development of China are the first one is that the entry into the World Trade Organisation (WTO) in 2001 (Kivela & Leung, 2005; Zhang et al., 2012), which the Chinese market started opening to foreign companies and the first-tier cities are consequently the priorities for the tourism market. The second milestone is hosting the 2008 Olympic games which further attract large crowds of visitors in such a mega-event (Zhang et al., 2012). In addition, Shanghai and Guangzhou hosted the 2010 Expo and 2010 Asian Games respectively. These mega-events accelerate the convergence of the different cultures (Zhang et al., 2012). Based on the central government policy, the third markable milestone for the Chinese tourism industry is building the international tourists visiting island in the Hainan province (NBS, 2011). Sanya has become as a symbol for hosting international tourism events in China since 2017 due to the policy launched by the central government (Sina, 2017). However, it should be noticed that inland China is still struggling in the interaction with international tourism (Andreu et al., 2017a). The number of airlines suggests that the middle part of China is still in the progress of developing an international image which indicates the gap between culture convergence.

7.4.2 Data Analysis of Model III

7.4.2.1 Descriptive Statistics

Table 32 shows descriptive statistics for the variables in the hotelier model I. As the dataset is the panel, variables can be decomposed into between and within.

Table 32 Descriptive Statistics for variables in the Hotelier Model

Variable		Mean	Std. Dev.	Min	Max	Observations	
MHGs	overall	148.6962	165.7778	11	815	N =	180
	between		165.7306	35	533.8	n =	9
	within		54.13965	-122.1038	429.8962	T =	20
GDP	overall	4.90e+09	7.03e+09	2.56e+07	3.27e+10	N =	180
	between		5.75e+09	2.25e+08	1.57e+10	n =	9
	within		4.47e+09	-6.64e+09	2.19e+10	T =	20
land	overall	9.02e+08	1.07e+09	150000	4.18e+09	N =	180
	between		7.82e+08	1.68e+08	2.35e+09	n =	9
	within		7.69e+08	-1.02e+09	2.99e+09	T =	20
market~e	overall	1450627	2167738	13000	8937100	N =	180
	between		2037216	132900.7	5684704	n =	9
	within		994669.5	-2577316	4703024	T =	20
road	overall	644.2835	699.0396	11.5	2562.4	N =	180
	between		720.3185	50.544	2007.335	n =	9
	within		157.7085	-161.2515	1199.349	T =	20
touris~e	overall	16.27778	19.74051	0	85	N =	180
	between		15.56434	3.5	51.1	n =	9
	within		13.15874	-34.82222	51.37778	T =	20
lab	overall	41164.33	30556.16	4927	149843	N =	180
	between		13795.12	22916.2	65212.25	n =	9
	within		27632.84	-10269.92	125795.1	T =	20

‘Overall’ statistics are ordinary statistics that are based on 180 observations. ‘Between’ statistics are calculated based on summary statistics of 9 cities (entities) regardless of time period, while ‘within’ statistics by summary statistics of 20 time periods regardless of cities. The within number refers to the deviation from each individual’s average, and naturally, some of those deviations could be negative. There are 180 overall observations within 9 cities over 20-year time period. According to Table 7.2, the GDP from selected cities is an averagely of 4.90 trillion RMB (Chinese Yuan). The mean investment in real estate is, on average, 9.02 trillion RMB. The number of arrival tourists has reached around 1.45 billion person-times each year. The average number of public transits including bus and trolley bus is around 64428 units. In addition, the mean number of tourism sites above the AAAA level in these five cities is 16. Moreover, the average salary of the labour force is 41164.33 RMB per year. However, it should be borne in mind that depreciation has not been considered in working payments. As for the dependent variable, the number of MHGs is about 149 on average. The minimum value for the overall data was 11, in marked contrast to the maximum 815 in

the dataset. Additionally, the reported standard deviations show that the variation in the number of MHGs was 165.7778.

7.4.2.2 Joint significance test of individual effects and random effects

A series of tests are applied to the model. The first test is to examine whether the error component has one-way or two-way effects (Baltagi, 2005). In other words, it is to examine whether there exist significant individual city effects and/or time-period effects. Under the two-way model, the error term in model 1 becomes

$$\varepsilon_{i,t} = \varepsilon_i + \lambda_t + v_{i,t}$$

Where ε_i denotes the individual-city effects, λ_t represents time-period effects and $v_{i,t}$ is disturbance term. The result of the Breusch and Pagan LM test is presented as follows.

Fixed-effects (within) regression		Number of obs	=	180		
Group variable: city		Number of groups	=	9		
R-sq:		Obs per group:				
within	= 0.2314		min	=	20	
between	= 0.9324		avg	=	20.0	
overall	= 0.8545		max	=	20	
corr(u_i, Xb) = 0.6851		F(7,164)	=	7.05		
		Prob > F	=	0.0000		
MHG	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
lnGDP	-28.43077	32.19067	-0.88	0.378	-91.99237	35.13083
lnland	13.82693	9.130483	1.51	0.132	-4.201524	31.85539
lnmarket	10.49893	11.29481	0.93	0.354	-11.80306	32.80093
lnlab	-15.58849	30.00259	-0.52	0.604	-74.82963	43.65266
tourismsite	1.104041	.5707975	1.93	0.055	-.023018	2.231101
road	.1547728	.0370921	4.17	0.000	.0815331	.2280124
DUMP	14.87491	9.702449	1.53	0.127	-4.282909	34.03273
_cons	381.644	267.7278	1.43	0.156	-146.9939	910.2818
sigma_u	60.65201					
sigma_e	49.587645					
rho	.59936552	(fraction of variance due to u_i)				
F test that all u_i=0: F(8, 164) = 13.07				Prob > F = 0.0000		

```

Random-effects GLS regression              Number of obs   =   180
Group variable: city                      Number of groups =    9

R-sq:                                     Obs per group:
  within = 0.2293                          min =          20
  between = 0.9344                         avg =         20.0
  overall = 0.8567                         max =          20

corr(u_i, X) = 0 (assumed)                Wald chi2(7)    =   308.51
                                           Prob > chi2     =    0.0000

```

MHG	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
lnGDP	-30.93573	15.15879	-2.04	0.041	-60.64642	-1.225053
lnland	18.5626	8.081344	2.30	0.022	2.723453	34.40174
lnmarket	16.00764	7.854782	2.04	0.042	.6125472	31.40273
lnlab	-34.8626	16.16559	-2.16	0.031	-66.54656	-3.178627
tourismsite	1.611085	.5263875	3.06	0.002	.5793846	2.642786
road	.186484	.0232339	8.03	0.000	.1409463	.2320216
DUMP	17.28266	9.648901	1.79	0.073	-1.628843	36.19416
_cons	439.8223	147.4142	2.98	0.003	150.8958	728.7489
sigma_u	23.969935					
sigma_e	49.587645					
rho	.18940473	(fraction of variance due to u_i)				

Breusch and Pagan Lagrangian multiplier test for random effects

$$\text{MHGs}[\text{city}, t] = Xb + u[\text{city}] + e[\text{city}, t]$$

Estimated results:

	Var	sd = sqrt(Var)
MHG	27482.27	165.7778
e	2458.935	49.58765
u	574.5578	23.96994

Test: Var(u) = 0

```

chibar2(01) = 113.84
Prob > chibar2 = 0.0000

```

Breusch and Pagan Lagrangian Multiplier (BPLM) test are performed based on the null hypotheses below:

$$H_0: \sigma_\mu^2 = 0$$

$$H_1: \sigma_\lambda^2 = 0$$

Where σ_μ^2 and σ_λ^2 denote the variances of the individual-city effects and time-period effects respectively. The BPLM test produces the p -value of 0 much smaller than 0.05,

which H_0 is failed to reject at the 5% significance level. It indicates that there are significant individual-city effects within time-specific effects. BPLM test produces strong evidence that there individual-city effects in the Hotelier Model, and also time-period effects. Therefore, a one-way error-components model should be chosen instead of a two-way error-components model. Next, the Hausman test was applied to identify whether using the FE model or RE model.

7.4.2.3 Hausman test

	—— Coefficients ——			
	(b) fe_result	(B) re_result	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
lnGDP	-28.43077	-30.93573	2.504962	30.16149
lnland	13.82693	18.5626	-4.735665	5.134714
lnmarket	10.49893	16.00764	-5.508703	8.865001
lnlab	-15.58849	-34.8626	19.27411	26.99134
tourismsite	1.104041	1.611085	-.5070438	.2849457
road	.1547728	.186484	-.0317112	.0311948
DUMP	14.87491	17.28266	-2.407746	3.227591

b = consistent under H_0 and H_a ; obtained from xtreg
 B = inconsistent under H_a , efficient under H_0 ; obtained from xtreg

Test: H_0 : difference in coefficients not systematic

chi2(6) = (b-B)' [(V_b-V_B)^(-1)] (b-B)
 = 21.78
 Prob>chi2 = 0.0013

According to the Hausman test applied in the Stata, it produces the results shown above.

Hausman test is performed based on the null hypotheses as follows:

H_0 : *Difference in coefficients not systematic*

H_1 : *Difference in coefficients systematic*

The criteria for selecting the better of the two effects is the comparison of probability value, which is less than 0.05. It implies that the test is significant that H_0 is rejected and there is the difference in coefficients systematic, which indicates that the FE model is more suitable.

7.4.2.4 Wooldridge Test

The Wooldridge test was applied to the dataset to figure out whether there is a serial correlation. The results are shown as below:

```
Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
      F( 1,      8) =      52.529
      Prob > F =      0.0001
```

The test is based on the null hypotheses that:

$$H_0: \text{No First Order Autocorrelation}$$

$$H_1: \text{First Order Autocorrelation}$$

Unfortunately, the null hypothesis is rejected as the p-value (0.0014) is less than 0.05 and 0.01, which can be inferred that there is a serial correlation among residuals. Therefore, it should be noted that OLS coefficients are likely to be biased, inconsistent and inefficient.

7.4.2.5 Heteroskedasticity test

The error term $\varepsilon_{i,t}$ can be heteroskedastic if the variance of the conditional distribution of ε_i given X_i is non-constant for $i = 1, 2, \dots, n$, and specifically does not depend on X ; else, $\varepsilon_{i,t}$ is homoscedastic. Heteroskedasticity can result in wrong estimates of standard errors for coefficients and hence of their t-values. While the estimates of OLS might not be biased in this case, standard errors do become wrong. The result is presented as below:

```
Modified Wald test for groupwise heteroskedasticity
in fixed effect regression model

H0: sigma(i)^2 = sigma^2 for all i

chi2 (9) =      1551.93
Prob>chi2 =      0.0000
```

The test is based on the null hypotheses as follows:

$$H_0: \sigma_i^2 = \sigma^2 \text{ for all } i$$

$$H_1: \sigma_i^2 \neq \sigma^2$$

Results show that the null hypothesis is rejected as the p-value is less than 0.05.

Therefore, it can be concluded that residuals are not homogeneous. In other words, there exists heteroskedasticity in the specific model. Consequently, the estimates of standard errors for coefficients and t-values are unlikely to be correct.

7.4.2.6 Fixed Effects Model

Results of the Wooldridge test for serial correlation and Modified Wald test for groupwise Heteroskedasticity call for the fixed effects regression with Driscoll and Kraay standard errors (Mehmood & Mustafa, 2013; Shahid & Ahsen, 2013). The error structure is supposed to be heteroskedastic, autocorrelated up to some lag and possibly correlated between the cities. The Pooled OLS is a pooled linear regression without fixed and/or random effects. It assumes a constant intercept and slopes regardless of group and time period.

Figure 36 Regression with Driscoll-Kraay Standard Errors

```

Random-effects GLS regression           Number of obs   =       180
Group variable: city                   Number of groups =        9

R-sq:                                  Obs per group:
    within = 0.9991                    min =          20
    between = 0.9998                   avg =         20.0
    overall = 0.9997                   max =          20

corr(u_i, X) = 0 (assumed)             Wald chi2(8)    = 560882.86
                                         Prob > chi2     =    0.0000

```

MHG	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
H	1.092364	.0038156	286.29	0.000	1.084886	1.099843
G	-43.21571	.5292245	-81.66	0.000	-44.25297	-42.17845
lnmarket	11.36732	.2965505	38.33	0.000	10.78609	11.94854
lnlab	-55.85491	.4607533	-121.23	0.000	-56.75797	-54.95185
site	3.259477	.023648	137.83	0.000	3.213128	3.305826
road	.1500509	.0006926	216.66	0.000	.1486935	.1514083
DUMP	14.77599	.4946138	29.87	0.000	13.80656	15.74541
DUMC	-4.042029	.8410645	-4.81	0.000	-5.690485	-2.393573
_cons	423.2902	4.592236	92.18	0.000	414.2896	432.2908
sigma_u	0					
sigma_e	.77786398					
rho	0	(fraction of variance due to u_i)				

The results are shown as above Figure 36 and the regression equation can be summarized as follow:

$$\begin{aligned}
MHGs_{p,t} = & 423.2902 - 43.21571G_e + 1.092364LD_e + 11.36732lnmarket \\
& - 55.85491lab + 3.259477site + 0.1500509road \\
& + 14.77599DUMP - 4.042029DUMC
\end{aligned}$$

It can be clearly concluded that R^2 is 0.9997 which indicates that this model accounts for 95 percent of the total variance in the total numbers of MHGs. The results suggest that all independent variables have a significant influence on the number of MHGs which is evidenced by the p value which is smaller than the 0.05 alpha level of significance. More specifically, the number of tourists, the number of tourism sites, the number of the public transit vehicle, and government policy have a positive relationship with the number of MHGs, while the average salary of labour price and culture distance have a negative influence on the increase of MHGs.

7.5 Conclusion

With the purpose of continuing to fulfil the research objectives, this chapter focused on statistically testing the proposed theoretical models and research hypotheses. To be more specific, multiple linear regression analysis techniques were adopted to test the theoretical models. Through the application of the Hausman test, the Wooldridge test, the Heteroskedasticity test and fixed effect modelling, the results confirmed that the interest from both the government and land developers, market size, labour price, road accessibility, tourism resources and cultural distance have a significant influence on the MHGs strategic locational decision-making choice. In addition, the results also confirmed the importance to consider the role of the government in the context of China who might launch the initial land using plan without the consideration of the interests of MHGs. Simultaneously, the results have emphasized the role of land developers within the influence on such location decision-making process who builds a bridge of communication between the government and MHGs. It showed that the interests from both the government and hoteliers, market size, labour price, tourism resources and cultural distance have a significant influence on the land developers' locational decision-making choice excluding the influence of road accessibility. With the results of theoretical models analysis, the potential relationships between influential factors and hotel location choice decisions have been fully addressed.

Concerning each proposed hypothesis, a detailed discussion will be presented in the next Chapter in order to have a fulfilled understanding of the influence among the three major stakeholders hoteliers, land developers and government in the context of the Chinese hotel industry.

Chapter 8 Discussions and Implications

8.1 Introduction

The main contribution of this study is to identify the concerns of each player namely hoteliers, government and land developers during the hotel property selection, particularly in mainland China. Moreover, it highlights the importance of clarifying the priority to meet each other's satisfaction during such a process. This chapter explores and discusses the findings generated by the mixed method research as detailed in Chapters 6 and 7. By aligning the existing theory (see Chapters 2, 3 and 4) and combining it with the research outcomes, this Chapter aims to establish links between the two sets of information through providing essential information for MHGs expansion strategy considering the specific environment in China along with the related academic field. By identifying the best responses of the three-domain players, this research will add further knowledge to the currently limited application of game theory in the tourism industry and update the historically old literature to keep pace with the times.

This chapter presents a further discussion of the qualitative and quantitative data. With the consideration of the existing literature, this chapter is organised the study outcomes into four main sections. It initially starts with the demonstration of the findings generated in both qualitative analysis and quantitative analysis. Secondly, the discussion of the interests of hoteliers aims to develop a clearer understanding of the hotel location selecting process whilst also considering the impacts of local government and land developers. Then, it critically reemphasises the importance of local government during the expansion of MHGs through the lens of game theory. Additionally, it outlines the role of land developers among the locational strategy formulation of MHGs in China by bridging the gap between reality and strategy practice. Moreover, it addresses the influence of applying game theory by shedding more light on the explanatory role while considering the limitations of the theory. Finally, it illustrates the theoretical implications and practical implications of this thesis.

8.2 Overview of findings

8.2.1 Results of Framework Analysis

The quantitative research method applied to analyse the interviewing results lead to a lot of important findings which have been elaborated in Chapter 6. With the findings from interviews, it has been emphasized by 15 interviewees from not only hoteliers but also government officers and land developers that market size plays an important role in the MHGs' expanding process. The environment including political and economic environment and government policy was mentioned by 13 interviewees respectively. The cultural distance was believed as the fourth important factor during the MHG's foreign expansion receiving 10 interviewees attention. In addition, company size and international experience were also agreed upon by 10 and 9 interviewees respectively from different groups. Tourism resources and road accessibility have attracted certain attention from 7 and 6 interviewees respectively while none of the government officers mentioned it. Labour price was only mentioned by three interviewees during the qualitative data collection.

8.2.2 Results of Regression Analysis

The findings generated from regression analysis indicate that the decision-making process has been involved with three players namely hoteliers, government and land developers. Instead of making a decision by the MHGs, it is a decision taken by the negotiation between the mentioned groups above. According to the results from the qualitative analysis, it is theoretically proposed by the government to settle the plan for the usage of the land. With the influence of the policy made by the local government, land developers and hoteliers engage in the decision-making process. It is formed by a mutual and restricted relationship between these three players while hoteliers and land developers become allies to some extent in order to meet the requirements raised by the government. An interesting point is that the negative influence of land developers on government policy formulation which is to be more specific that as the investment of real estate increases, the GDP tends to decrease. Without the consideration of the economic theory, it vividly explains that the contradiction between government and land developers which is resonated with the view pointed out by the interviewees

collected in the first step that the *imperative role* and *controlling and planning* function of the government. In other words, it is not a surprising thing that government sometimes will not consider the commercial profits of building a property. Influential factors such as market size, labour price, tourism resources and infrastructure construction of public transport have a critical influence on the government policy formulation. However, it should be noted that the results of the regression analysis clarify that hoteliers have no significant influence on the government policy decision. In other words, the decision made by the government will not consider the hoteliers' position while hoteliers have to consider the policy carried out by the government.

From the perspective of land developers, the regression analysis indicates that market size, labour price and tourism resources will have an influence on decision making. However, the convenience of public transport has no significant influence on the investment decision. In addition, it should be noted that tourism resources have a negative influence on the investment of real estate.

In terms of the hoteliers, it clearly demonstrates that influential factors, more specifically, market size, labour price, tourism resources, infrastructure construction, and cultural distance will influence the new hotel property selection. Additionally, the role of government and land developers have been emphasized in the hotelier model which both have a significant influence on the number of multinational hotel properties. In the following sections, in order to emphasise the interests of each player during this decision-making process, each model will be discussed by aligning with previous literature and explaining the results gained from this empirical study.

8.3 The interests of the Government

The author assumes that the priority of the government is increasing the economy and putting the GDP as the dependent variable in the government model which is in line with much previous research (Marcuss & Kane, 2007; McCulla & Smith, 2007). The results of the qualitative analysis show that there are two opinions about the role of government during the hotel property selection. The one assumes that government policy has a decisive influence on the tourism industry not only about the hotel property location but also about the plan of land usage. And the other view is that the government

does have an influence on the hotel and real estate companies but the *decisive power is still in the company's hands*. The form opinion was consistent with Chen and Sun (2005), Li & Park (2006), and Zhang et al. (2012) who indicated that government policy is the important determinant factor for FDI location decisions. Although the later opinion has emphasized the importance of the autonomy of companies, it actually acknowledges the great influence of the government on the location selection issues. It was pointed out by Johnson and Vanetti in 2005 that government policies have little influence on the management of hotel chains as the government has few interruptions of the hotel markets in the European area. However, as mentioned in Chapter 2, it is important to understand Guanxi, especially the relationship with the government, for foreign hotel companies when they enter the Chinese tourism market. The findings of framework analysis indicate the importance of government which is consistent with Alon et al. (2012), Buckley and Geyikdagi (1996), Dunning and Kundu (1995), Hardingham (2012), Heung et al. (2008), Wai (2004), and Zhang et al. (2012). The reasons for this phenomenon can be argued that the Chinese hospitality industry was built upon the change made by the government since the initiation of the “Open Door” policy in 1978, which is an ongoing economic and social reform (Gross et al., 2013). Although the state-owned hotels have experienced a dramatic decrease from nearly 4000 hotels in 2001 to 2115 hotels in 2019, the data released by the Ministry of Culture and Tourism of The People’s Republic of China (2019), the government influence is far beyond the ownership structure. The results of regression analysis are clearly showed that MHGs expanding their business into mainland China can not overlook the influence of the government.

8.3.1 Relationship with Land Developers and Hoteliers

Based on the random-effects GLS regression results, it illustrates that the estimation of the land developers model has a negative influence on the GDP growth. In other words, it might not be one of the reasons for the government considering the profits of land developers when making land plans. It is also approved by the views claimed by L3 and L4 in the interviews as follows,

Usually, it is not decided by us to select the location while the government made the development plan which will consider the tourism resources and commercial activities

as the criteria to select the site. (L3)

In the current situation of China, many local governments increase the local supporting infrastructure by asking local real estate developers to match the corresponding hotels in the construction process during the economic development (L4)

This result is consistent with that of Pine and Qi (2004) who stated that during the economic transition period, state-owned hotels in China are still obedient to the traditional administrative system. More specifically, the development of the hotel industry in China is still under government intervention. In accordance with the present results, previous studies (Adam, 2013; Heung et al., 2008; Pine et al., 2000; Wei, 2004; Xiao et al., 2008)) have demonstrated that the role of government can not be overlooked although the role of government decreased while the role of market roles increased through the deepening reform in the current Chinese hotel industry.

Simultaneously, the correlations between the estimation of the hotelier model and the growth of GDP were negative but statistically insignificant. A possible interpretation of this finding is that at the beginning of launching land plans by the government, hoteliers were not involved in the negotiation process until land developers received the *tasks* from the government to build a new hotel property in the land which real estate developers bided. Therefore, it is not one of interests that the government will consider when making the decision to build up the city image. Actually, the conflicts such as reservation system and human resources management between the government's laws, policies and regulations and foreign hoteliers were discovered by many scholars (Pine et al., 2000; Heung, 2008; Wei, 2004; Zhang, 2003), especially in the franchising operating environment. In addition, although there is a critical decrease in the number of state-owned hotels, it still accounts for more than 20% of the Chinese hotel market within 2115 hotels in 2019. The focus of the government is relatively high on the transformation of state-owned hotels (Mak 2008) instead of on the MHGs.

8.3.2 Influential Factors in Model I

The results of this study supported hypotheses regarding independent variables market size and infrastructure construction which propose that there are positive relationships between the size of the market, the convenience of public transport and the growth of

GDP. This finding is in line with that obtained in prior research focusing on the interests of the government (Tran and Philipp, 2010; Tran and Thompson, 2015) on the development of the hospitality industry. It is logical to consider the market size, price of labour and the convenience of public transport as the priorities for a country to develop its tourism industry.

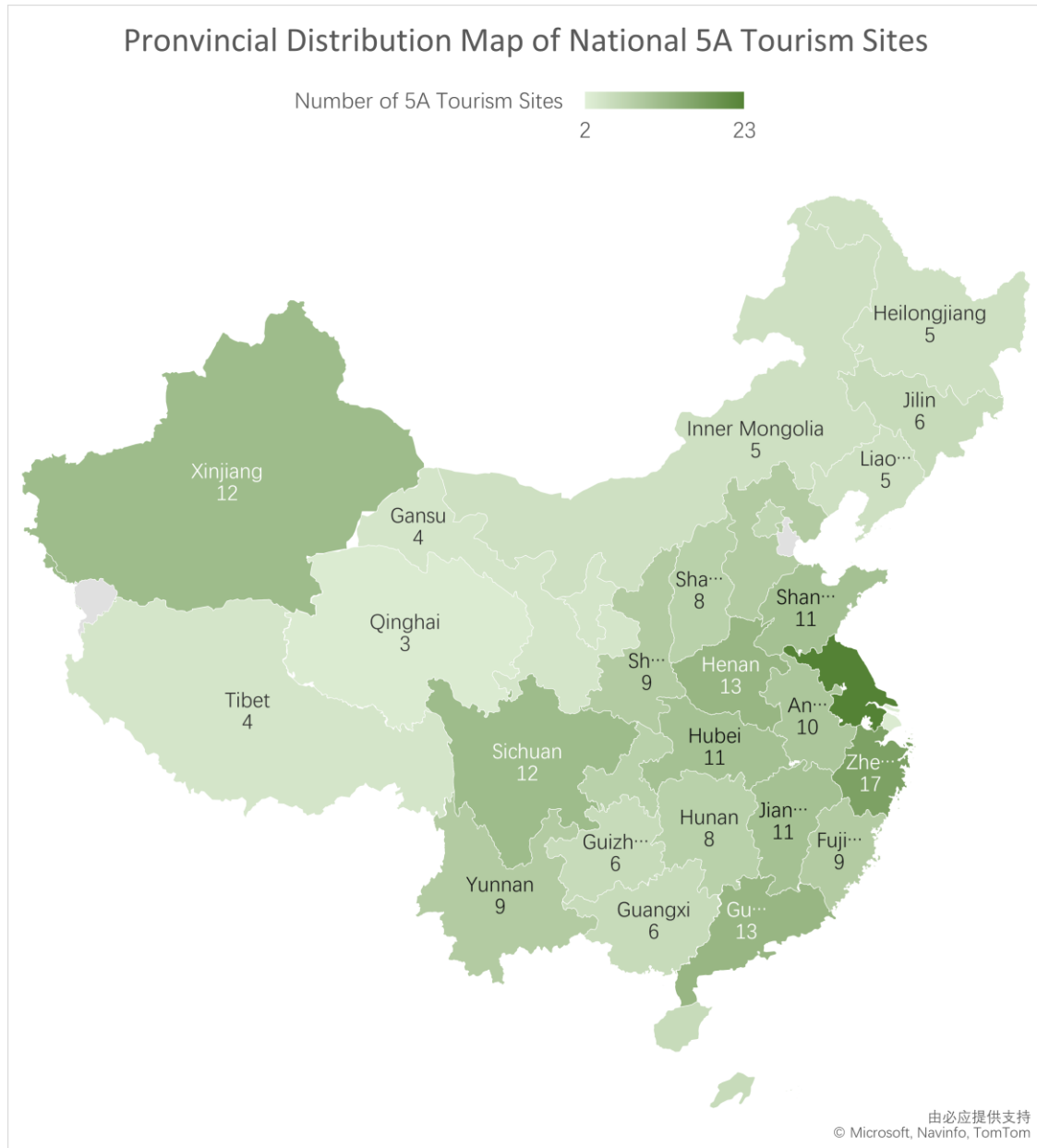
Table 33 The results of Model I

Variables	Hypotheses	Expected	Results
Market size	The size of the market is positively influencing the decision made by the government.	+	+
Labour Price	The labour price is positively influencing the decision made by the government.	+	+
Infrastructure Construction	The level of infrastructure construction is positively influencing the decision made by the government.	+	+
Tourism Resources	The number of tourism sites is positively influencing the decision made by the government	+	-

However, the finding regarding tourism resources is not as expected which is clearly shown in Table 8-1. It indicates that the number of tourism sites has a negative influence on the growth of GDP. In other words, the development of GDP is majorly located in places where have few numbers of tourism sites. It is in line with the reality that most of the tourism attractions are located in the rural underdeveloped area of China instead of the fast-growing ones such as the east coastal cities. Although Jiangsu, Shandong, Zhejiang and Guangdong these four faster-developing provinces have 54 5A tourism sites in total (see following map Figure 8-1), it only accounts for nearly 20% of a total number of tourism sites in China. However, the GDP of these four provinces were

almost 35% of China's GDP in 2018. It is supported by Wen (1998) who stated the spatial inequality of tourism distribution in China by citing the population of distribution.

Figure 37 Tourism Resources in China



8.4 The interests of the Land developers

The pursuit of the action adopted by land developers was assumed as the investment in

the real estate industry in China, which is according to much previous research (Andreu et al., 2017b; Dunning & Kundu, 1995; Dunning & McQueen, 1982; Endo, 2006; Gross & Huang, 2011; Johnson & Vanetti, 2005). It is logically deduced that the more investment the real estate companies make represents the increasing confidence in the current hospitality industry. The results of the qualitative analysis demonstrate that land developers commonly consider market size, political and economic environment, cultural distance, tourism resources, road accessibility, and especially government policy. Additionally, none of the land developer interviewees mentioned the variable labour price. It is contradicted with the previous study (Van der Hoeven & Thurik, 1984; Ussi and Wei, 2011; Yang et al., 2017) that as one of the labour-intensive industries, it will cause more focus in the host country than any other influential factors such as transaction costs. However, a possible explanation for this might be that as mentioned above, most of the land developers stated that it was the *requirement* of the government to build the hotel properties which is *like a principle that tries to find some agents (developers) to delegate the tasks*. Therefore, land developers seem to wait for the right moment which labour price is not the main reason or main cost they have to consider. Another possible explanation for this is that most land developers are state-owned enterprises which the state retained control of the wages (Holz and Mehrotra, 2016). Consequently, most of the land developers will not put the labour price as the priority for considering when making the decision for the property location.

8.4.1 Relationship with Government and Hoteliers

Different from the results found in Model I, the regression analysis illustrates that there are significant influence relationships between land developers and the other two groups government and hoteliers. It has been discussed in the above section that the government has contradicted interests with the land developers, which Model II proved the results again. It can also be possibly explained that land developers are able to lead into the growth of GDP while the fast-growing GDP cities have already confronted with the problems that the spill over of market. According to the study of Zhang et al. (2011), they highlighted the unequal tourist distribution in Chinese cities, where high frequencies of visiting cities are mainly located in the Pearl River Delta region (Guangzhou, Zhuhai, Dongguan, Zhongshan, Huizhou, Foshan, Shenzhen and Xiamen), Yangtze Delta region (Shanghai, Hangzhou, Suzhou, Wuxi, Jiaxing and Nanjing) and

other three cities Beijing, Tianjin, and Qingdao. It is also approved by the qualitative data pointed out by H1 that *government has a wide control not only in the land planning but also the balance of the market*. In other words, it will be the task for land developers to invest in the underdeveloped area instead of only focusing on the advanced places. This result is also in line with the view pointed out by Dev et al. (2007) that local partners (land developers) can enjoy benefits more than international hotel chains under the situation of the intervention by local government.

It is worth noting that the number of MHGs has a positive relationship with the investment of land developers. This result has proved the assumption proposed in Chapter 6 that the local government initiated the land plan called as White Paper for requesting the land developers to bid the land, and the land developers then choose the hotel company who is willing to operate in the property. In other words, land developers and hoteliers have common interests in selecting the hotel property location. As critically reviewed in Chapter 3, the location strategy for MHGs is always involved in a dynamic interaction process which is not only considering the current geographical factors but also other issues such as the central business district, tourism attractions and urban area (Ingram & Inman, 1996; Kalnins & Chung, 2004; Kundu & Contractor, 1999; Yang, et al., 2014) which are in line with the benefits of land developers.

8.4.2 Influential Factors in Model II

As shown in the following table 8-2, it presents the results and assumed hypotheses. However, the relationship between investment in real estate and tourism resources is not significant while the relationship between the dependent variable and road accessibility is not as expected.

Table 34 The Results of Model II

Variables	Hypotheses	Expected	Results
Market size	The size of market is positively influencing the decision made by land developers.	+	+
Labour Price	The labour price is negatively influencing the decision made by land developers.	+	+
Road Accessibility	The level of infrastructure construction is positively influencing the decision made by government.	+	Not sig
Tourism Resources	The number of tourism sites is positively influencing the decision made by government	+	-

The hypotheses of market size and labour price in Model II are supported by the empirical evidence showing that the size of the market is positively influencing the investments of real estate and the labour price is also positively affecting the decision of land developers. The market size has been emphasized by much previous research (Alon et al., 2012; Andreu et al., 2017; Dunning & Kundu, 1995; Go et al., 1990; Johnson & Vanetti, 2005; Zhang et al, 2012) and this study is in line with their findings even though from the stand point of land developers regarding the issue of select hotel property location. As reviewed in the last section, most of the land developers in China are state-owned enterprises which has a limited notification on the price of labour. However, in this model, the investment of land developers is positively influenced by the labour price. This inconsistency may be due to the priority of land developers which is still for generating profits. In other words, whether it is a commercial business district or a residential community, the consumption capacity of the selecting location is still an important indicator for land developers. It is supported by Heung et al. (2008) that

even under the current speeding up franchising situation, the owners of the new hotel properties are aiming to the capital investment and operation.

The result of road accessibility is not as expected which is also opposite to the findings carried out by many previous researchers (Arbel & Pizam, 1977; Barros, 2005; Chou et al., 2008; Wall et al., 1985; Yang et al., 2012). As reviewed in Chapter 3, cities, especially the convenience of public transport in cities, play an important role during the expansion of MHGs. However, this empirical study indicates that the investment of real estate is more willing to put in such underdeveloped areas with few public transport vehicle lines. It also might be the reason mentioned above that the role of government is at the initial stage of selecting the location for building hotel properties which largely aims to enhance the city of image. Based on the research of Andreu et al. (2017), their results suggested that Chinese hotel chains are more likely to take the risk under the idiosyncrasy institutional framework. It might be a similar situation for Chinese land developers. Hypothetically, the underdeveloped area means the less competitive market or even blue ocean market for the land developers.

Tourism resources have an insignificant relationship with the dependent variable, which is not as expected. In other words, tourism resources are not one of the critical influential factors for land developers to choose the location. One possible explanation for this might be that the role of government. Through building the new hotel properties to enhance the image of the city, tourism resources are no longer the critical influential factors regarding this aim. This is in line with many previous study (Lang, 2005; Pine et al., 2000; Tang et al., 2006; Zhou, 2005) that the hotel sector in China is considered as a symbol of opening and reform. Based on the purpose of building the image of the city, tourism resources are typically not a significant influential factor for considering. Another possible explanation for this is that consumers of hotel products are not only travelling for tourism attractions but also are possibly for conferences or mega-events such as Olympic games. This is coincidentally similar to the view pointed out by Guillet et al. (2011) that the MHGs expansion plan in China was highly influenced by the mega-events instead of tourism resources. MICE (meetings, incentives, conventions and exhibitions) has also supported this idea that these topics are closely intertwined involved in the current tourism industry rather than only travelling for heritage, viewing spots or tourism attractions (Wall & Xiao, 2005).

8.5 The interests of Hotelier

One of the main purposes of this study is to identify the key factors that affect the MHGs choosing location in China than to develop a clearer understanding of the issues regarding the locational strategy formulation. The essence of firms' growth was explained through the resourced-based theory (RBT) by analysing the differences between the performance of similar firms (Becerra, 2009; Contractor & Kundu, 1998; Dev et al., 2002; Harrison & Enz, 2005). Pervious research (Cattaneo, et al., 2013; Ivanova and Ivanov, 2015) has reemphasized the advantage from the affiliation of the individual hotel and the hotel chain by claiming the importance of maintaining the number of hotel properties. In fact, the unique characteristics of each industry have resulted in the differences among the expansion theories between the manufacturing industry and the hospitality industry (Leon-Darder et al., 2011).

8.5.1 The choice of Entry modes

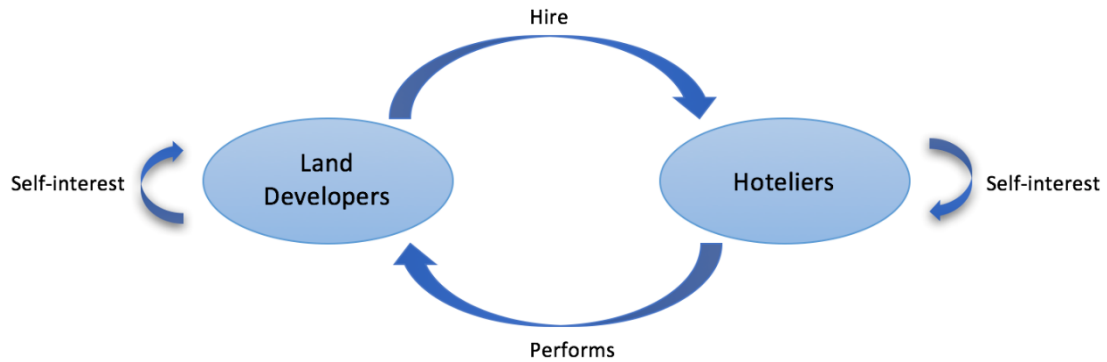
Many scholars (Gu et al., 2012; Xu, 2012) have claimed that the development of MHGs in China where joint ventures were the initially favoured ways for MHGs following by the management contracts which had gradually become the most prevalent approach to enter into the Chinese market. The results of this study provide support for the validity of the above view while evidence was collected not only from the hospitality industrialists but also from the government and property owner detailed in Chapter 6. Contrary to the previous research, this study identified the significant role of the local government during the expansion of MHGs in mainland China. As stated in the previous Chapter, the decision-making process of selecting a new hotel property was at three steps where the local government firstly initiated the land plan then land developers secondly bided the land while thirdly selecting the hotel company who is willing to operate in the property.

It has been empirically reviewed by many scholars (Alon et al., 2012; Brown et al., 2003; Erramilli et al., 2002; Ivanova & Ivanov, 2013; Khan, 2016) that non-equity entry modes are more cost-effective than equity entry modes in the hospitality industry for hotel companies, especially when considering the international expanding into the foreign markets. As reviewed in Chapter 2, non-equity entry modes have been widely

accepted as the most prevalent way in the distribution of goods and services globally due to the less financial resources requirements, efficiency in the production of both manufacturing and serving industry and cost savings (Contractor & Kundu, 1998a; Erramilli et al., 2002; Ivanova & Ivanov, 2013; Stanworth, et al., 2001). The motivation for choosing non-equity entry modes is recognised by many researchers, for example, Buckley (2007) who addressed the environmental factor when examining the strategy of MNEs in the global economy. Heung et al. (2008) discussed the major driver for the franchisors is the knowledge of the market such as less susceptibility to political, economic and cultural risks. In addition, Alon et al. (2012) empirically examined the organisational determinants such as franchise experience and franchise percentage of hotel chain expansion, although their findings show the contradiction with the mainstream research findings that a hotel company's decision to go international is negatively related to size.

The findings of this study further explain the motivations of using non-equity entry modes in China not only including the advantages analysed above but also influenced by the typical features namely the role of government, the role of guanxi and the role of Feng Shui among the Chinese hotel industry reviewed in Chapter 2. Different with previous research, the choice of entry modes in the Chinese hospitality industry is decided by three parties involved in the process. Agency theory has been widely used by previous researchers (Alon et al., 2012; Contractor & Kundu, 1998; Claver & Quer, 2017) to explain the mechanism function behind the franchising developing method. However, most of these researches only consider the agency problem between the land developers (principals) and hoteliers (agents) see the following figure. It illustrates the principal-agent relationship between land developers and hoteliers in the lodging industry.

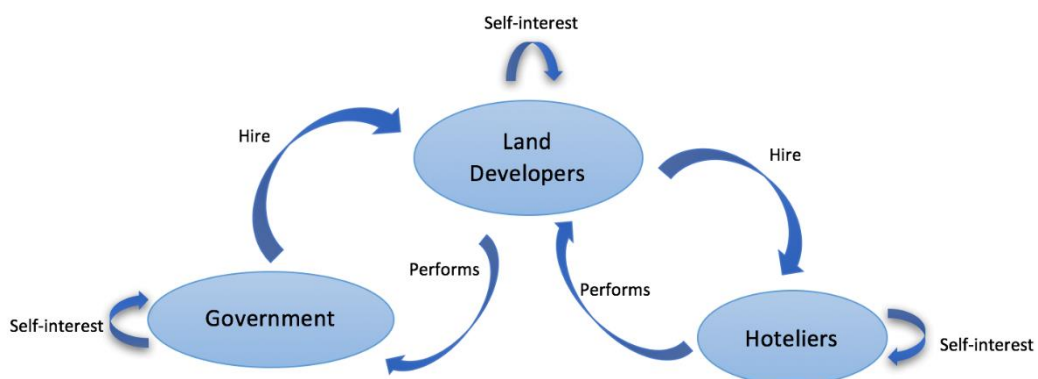
Figure 38 Relationship between Land Developers and Hoteliers



Source: Adapted from Eisenhardt (1989)

However, based on the results of interviews, this research found that it is the negotiation process among three participants instead of two and the decision-making process is even more complicated if compared with the previous research. The dilemma exists in circumstances where others are all motivated to act in their own best interests which are contrary to those of each other's principles depicted in Figure 39. As presented in the figure, the local government 'hires' land developers by calling them to bid on the land. Then, land developers 'hire' hoteliers to operate the property. This process is aligned in the decision-making procedure while each player makes decisions motivated by their own interests (more details see section above).

Figure 39 Relationships among three stakeholders



Source: Author

It should be noted that there are two forms of franchising in China (The Commercial Franchise Administration Regulation, 2007). The first one is that one enterprise permanently grants another company the right to use its trademark, trade name, patent right and proprietary technology for a fixed period according to the signed contracts. In return, franchisees pay the corresponding fee to franchisors to engage in business activities. The other unique one is that it is authorized by government agencies to allow certain enterprises to use public property such as allowing airline companies to use state-owned airport facilities on the routes prescribed by the government. And the results of this study empirically clarify the role of government, land developers and hoteliers in each field by addressing the interests of every participant.

8.5.2 Influential Factors in Model III

The findings of this study suggest the importance of labour price, road accessibility and tourism resources during the location selection process which is consistent with previous research. For example, this study concurred with findings of Barros (2005), Chou et al. (2008), Wall et al. (1985), and Yang et al. (2012) who suggested the positive relationship between the probability of hotel location selection and the road accessibility in the specific area. In addition, the findings of this study also indicate the similarity that Dunning & Kundu (1995), Dunning and McQueen (1982), Johnson and Vanetti (2005) and Littlejohn et al. (2007) all prove that tourism resources are important determinants for hotel location selection. In terms of labour price, the result of this research shows that it has a significantly negative influence on the number of hotel properties. It is in line with the research carried out by Van der Hoeven & Thurik (1984), Ussi & Wei (2011) and Yang, et al. (2017). The price of Chinese labour has increased in recent years due to the rapid development of the economy. However, the fact reported by HR IN ASIA (2016) is that the annual salary increase rate for employees in China is 6.7% while the average turnover rate is 20.8% with a voluntary turnover rate of 14.9% and an involuntary turnover rate of 5.9%. Although the findings of the first step interviews indicate that labour price is not the major influential factor during the hotel property selection as few of the respondents mentioned it, the secondary data analysis gave an opposite answer that it still plays an important role during the business expansion procedure of MHGs. And it to some extent proves the speculation provided by the author in Chapter 6 that the less focus on labour price based on the results of

interviewing is possibly due to the slight proportion of total costs if it compared with the construction fees.

Many scholars (Adam, 2014; Alon et al., 2012; Brown, et al., 2010; Jacobs, 2000; Zhang et al., 2012) have empirically examined the influence of the economic geography, the growth of cities, on the location strategy formulation during the expansion of MNEs including MHGs. Additionally, cities have been widely accepted as an ecosystem that naturally organizes diverse human activities such as business trading. However, the results of this study provide preliminary evidence that the decision of selecting a new hotel property is negatively related to the economic growth of the local cities (see table 7.3) in mainland China, which contradicts mainstream research findings. It is in favour of the view that as one of the unique characteristics, the role of the Chinese government (see section 2.5.1.1) still significantly influences the development of the tourism and hospitality industry. The findings from the interviews of this study also approve this point that *“As a result, government plays an imperative role in the process of setting up a new property. Government has wide control not only in land planning but also in the balance of the market. For example, if this region has a lower degree of the saturation of hotels, the government will encourage MHGs to settle a new property in this region.”* (see Chapter 6). It might not be a market-oriented decision to choose the new hotel property location while the local government decides where to build. This finding is consistent with previous research such as Sassen (2001), Scott et al. (2001) and Sassen (2010) that cities are not priority factors that affecting the process of making location decisions as MNEs attempt to move their headquarters from city centres to outlying suburbs.

It can be argued that the Chinese government has decisive power to select the new hotel property is one of the reasons that the decision of selecting a new hotel property is negatively related to the GDP growth while other possible reasons for this might be the market saturation and transferring movement of the companies. As reviewed in section 2.5.2, Gross and Huang (2011) have pointed out that there is a fierce competition among the nearly saturated market in the first-tier cities like Shanghai, which is also supported by the findings put forward by Yang et al. (2017) who believed that MHGs have already begun to expand their business in the interior cities. The niche of the hospitality industry is not only decided by the growth of the economy but also outlined by the tourism

resources (Dunning & Kundu, 1995; Dunning & McQueen, 1982; Johnson & Vanetti, 2005; Littlejohn et al., 2007; Zhao & Olsen, 1997) and road accessibility (Arbel & Pizam, 1977; Barros, 2005; Chou et al., 2008; Wall et al., 1985; Yang et al., 2012). Another possible reason is that the current hospitality industry in China is experiencing a transferring period that most of MHGs, including Marriott International, InterContinental, Accor, Hyatt, and Hilton Group, target at the potential economic boosting cities by setting the pipeline in the third cities such as Sanya. The investment focuses on the potential growth of the targets instead of the current status. For example, IHG has more than doubled its properties in China from 84 to 269 in just eight years (IHG annual report, 2016) while the top metropolises are not the priority choice. In the same vein, Wyndham also planned to establish different types of hotels in different city tiers (Wyndham annual report, 2017). In addition, there is a typical characteristic of this transferring period reviewed in Chapter 2 that most of the current MHGs whatever foreign or Chinese both focus on the budget hotel sector (Gu et al., 2012) to achieve a scale economy. Based on the data released by China Travel News (2018), the number of budget hotels has reached a total of 32444 providing 2009738 rooms by the beginning of 2018. And this dramatic increase happened in most of the mid-scale cities at an annual growth rate of about 10% while these cities are not the top GDP creating engines.

The results of the regression analysis suggest that the size of the tourism market measured by the number of tourists is not a significant influential factor for hotel property selection. However, the result is not as expected based on the literature review. It is in contrast to earlier findings such as Zhang et al. (2012) who believed that market size is one of the determinants for hotel location as it is the directly determinant for expected hotel occupancy rates. In addition, Andreu et al. (2017) also proved that market attractiveness has a positive relation with the expansion of MHGs, although they combine two factors in one that market attractiveness is consists of GDP per capita and market potential.

The finding of secondary data analysis is resonated with the dispute proposed in Chapter 6 that whether market size is one of the determinants during the hotel construction position selection in the current mainland China. It has been acclaimed by Pine and Qi (2003) that China, as a transition economy, is highly unpredictable due to

heterogeneous institutional arrangements. Actually, contrary to expectations, it has been obtained that most of the new hotel properties are built in the developing tier 2 or tier 3 cities instead of metropolises in recent years during this transition period. One of the possible reasons to explain could be that the settlement of new hotel property is impelled by the development of cities as Wei (2004) proposed that the purpose of building hotels is largely dependent on the matter of face to build an image of the city. In other words, it is decided by the local government to build a new hotel property rather than the market decision. It was pointed out by interviewee G1 that, *'In order to complete functions of the city, it might be necessary to build a hotel in the location where is picturesque. However, the plan is normally designed up to two decades ahead of when the construction may be needed. For example, each province normally needs a conference reception centre in the capital city. Therefore, the plan will allocate an area for building an upper-class hotel with meeting rooms.'* The importance of the government is being critically addressed during the hotel location decision-making process.

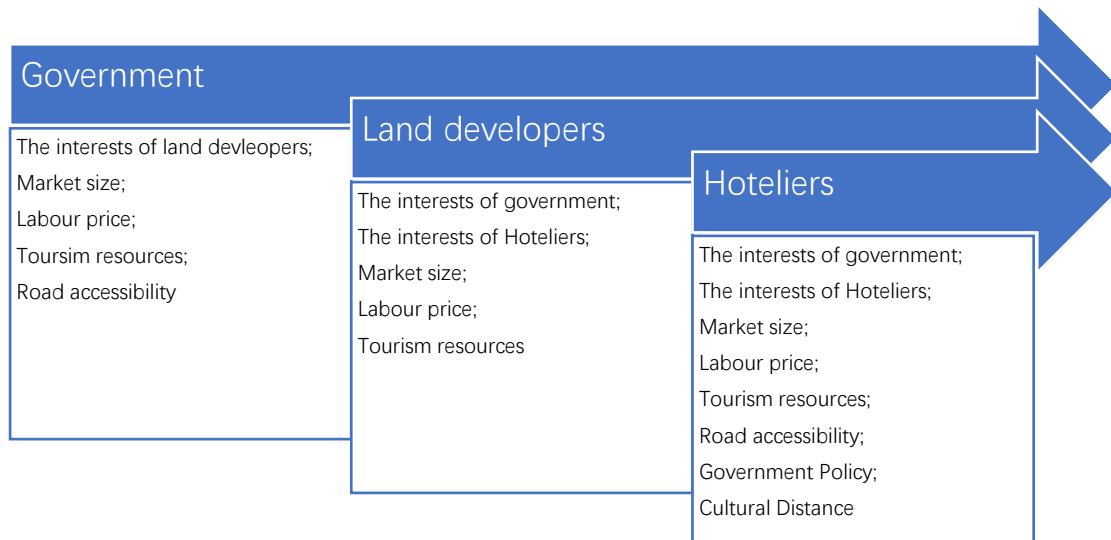
Another interesting side finding was that the result of regression analysis shows that land price is not a significant influential factor in the model equation. The measurement method regarding land price is in line with Driha and Ramón-Rodríguez(2011) and Martorell et al. (2013) which is calculated by the equity investment in the host country. The slight difference is that they applied the ratio value which is equal to the foreign investment/GDP per capita while this study directly used the investment in real estate development. The reason behind this action is that this study aims to explore the foreign MHGs expanding into China instead of seeking the reasons for Chinese MHGs go international. However, the findings of the current do not support the previous studies. Although many scholars (Alon et al., 2012; Andreu et al., 2017; Guillet et al., 2011) have raised the awareness of land price on the development of the hospitality industry, the situation in mainland China is not the same as this field research areas. However, the result of this study is broadly consistent with the entry mode theory that most of MHGs adopt management contracts entry mode currently in China as discussed before, even though there is a new hotel property rather than a refurbished one. It is believed that management contract has been perceived as a popular approach to attracting increased investment into the hotel industry by Turner et al. (2016). And this form of development separates the right of ownership and management, which enables a hotel

owner to retain legal ownership of a hotel property, while the hotel chain is responsible for the daily business of the hotel (Guilding, 2003). It is consequently proved that the land price is one of the determinants for possessing a hotel property however not the significant factor for managing a hotel property. In other words, the land price might be one of the decisive reasons for land developers choosing the location, while hoteliers as the operational manager are not interested in it as they will not pay for the property.

8.6 The Application of Game Theory

The general picture emerging from the analysis is depicted as following Figure 8-4. By combining empirical evidence collected from both qualitative and quantitative analysis, there are three players engaged in the location selection game. It starts with the launch of land usage planned by the local government with the consideration of market size, labour price, tourism resources and road accessibility to pursue the growth of GDP. Then, land developers are requested by the government to bidding the land demonstrated by the government. In return, the government is correspondently considering the benefits of land developers. Land developers as the intermediary have to consider both interests of the government and hoteliers. Simultaneously, land developers also consider influential factors such as market size, labour price and tourism resources. Hoteliers as one of three players have not been involved until the calling by the land developers. With the invitation from land developers, hoteliers not only need to satisfy the requirements of land developers but also are necessary to consider the interests of the government. Additionally, other influential factors also have a great influence on the decision making namely market size, labour price, tourism resources, road accessibility and cultural distance.

Figure 40 Revised hotel location decision making process



This finding is supported by the previous research (Tran & Thompson, 2015) that game theory should be considered to solve the conflicts whereas the various interests of each player in the above model. In addition, the application of game theory highlights the common interests of players such as market size, tourism resources.

8.7 Contributions

This study set out to identify the gap in knowledge and issues in the decision-making process of selecting new hotel property during the expansion of MHGs in China. The findings of this study have both theoretical and managerial implications. From a theoretical standpoint, it contributes to the epistemological debate on the applicability of game theory to explain the decision-making regarding the hotel property location selection issues in the emerging market. Game theory has relatively slow development in the tourism industry. One of the possible reasons is that the difficulty of building a competition model for the overexploitation of resources in commons among the tourism industry. However, the empirical evidence of this study highlights critical issues that MHGs expanding in China are necessary to consider. They are interests of both government and land developers, market size, labour price, tourism resources, road accessibility, government policy and cultural distance. By applying game theory, the

conflicts and interests of each player during the negotiation process are clarified.

In terms of the managerial implications, this study highlights influencing factors such as the negotiation between the government and land developers as well as market size, labour price, tourism resources, infrastructure construction, government policy and cultural distance when making a decision to build a new hotel property in China. The results of this study provide managers of MHGs with useful information on the influential factors mentioned above when expanding their business into mainland China.

Chapter 9 Conclusion and Implications

9.1 Introduction

This chapter highlights the key findings and contributions of this research. Previous studies provided two major perspectives with respect the related issues among the business expansion of hotel groups based on the firm-specific advantages and the locational attractiveness. However, this study shed light on the combination of simultaneously considering the interests of the government, land developers and hoteliers during the MHGs expansion in mainland China. It begins with the demonstration of the main findings of the study in response to the proposed research objectives. Then, it concludes the achievement of the research aims of this study followed by the highlight of theoretical contributions and practical implications derived from the findings of this thesis. Finally, it proposes suggestions for future research based on the acknowledged limitations of this study.

9.2 Key Findings

The main aims of this research are to provide a holistic view of MHGs business expansion in mainland China and to highlight the influential factors during this locational strategic decision-making process. With the purpose of demonstrating how this study has achieved the research aims, this section presents the main findings of the study in correspondence with the specific research objectives listed in section 1.4.

9.2.1 To critically review the literature relating to MHGs and their explanation alongside the clarification of the relationship between MHGs and IHCs.

With the purpose to provide a critical evaluation of the current situation of MHGs regarding the decision-making process for hotel location choice in Mainland China, this study critically analysed the nature of MHGs by distinguishing different terminology advocated by many previous researchers (Andrews, 2009; Brookes, 2007; Contractor

and Kundu, 1998a; Kusluvan and Karamustafa, 2001; Ivanova, 2013; Peng, 2004). In addition, it also supported by the evidence of different types of entry modes including equity and non-equity in China. With the application of different theories such as resource-based view (Barney, 1991; Contractor & Kundu, 1998; Harrison & Enz, 2005; Penrose, 1959), value chain (Porter, 1985; Cattaneo, et al., 2013), and stakeholder theory (Clarkson, 1995; Freeman, 1984; Mitchell,1997), this study builds on the exclusive definition of MHGs through focusing on the organisational feature of multinational transactional business.

With the consideration of the current situation of MHGs in China, it is necessary to consider the role of government, the role of culture (Guanxi and Feng shui) and the role of locational benefits during the strategic decision-making process. Although the non-equity entry modes are prevalent in the contemporary hospitality industry, it is important for hotel companies to realise the challenges such as the role of government and culture distance from the specific targeting business environment such as mainland China.

Additionally, this study concludes three typical features of the Chinese hotel industry which are the role of government, the role of guanxi and the role of Feng Shui through the critical analysis of the existing literature. The role of government has formed through the development of the Chinese hotel industry especially influenced by the government policy “Open Door” from 1978. Moreover, the state-owned hotel is still one of the major powers in the current Chinese hotel industry presenting the government impacts over the industrial evolution. The role of Guanxi has a consistent influence on Chinese society which is embedded in the Chinese culture. As the influence of social networking and personal relationships, Guanxi has crucially shaped the market especially when MHGs enter the Chinese hotel market. It connects the three major players in the locational strategic decision-making process which are hoteliers, land developers and government. The role of Feng Shui highlights the cultural influence on the locational benefits which represent the criteria for hotels choosing the location in the Chinese tourism market. More specifically, it is not only the selection criteria for hoteliers and land developers but also for the government urban development planning as Feng Shui considering a harmonious heavenly Chi and earthly Chi both in the architectural designs and business issues such as brand names and firm logos.

Lastly, this study compares the differences and commons between MHGs and IHCs with the highlights that MHGs and international hotel chains are both hotel companies in the competition of hospitality industry with the process of added value to the property's market value. The differences among these two are scope, angles and nature. MHGs has addressed the strategic target which could be a whole market in one region even on an international level while IHCs focuses on the strategic market position. MHGs concentrate on corporate management while IHCs focus on production management. As for nature, MHGs play as the parent company with the action of IHCs as the subsidiaries. The clarification of these terminologies help the research to be more accurately focusing on the research field and it paves the way for further research and narrowing down the focusing area of the current study.

9.2.2 To develop in-depth insights into key factors influencing the locational decision-making process of MHGs during the expansion in China

In order to develop an in-depth insight on the locational decision-making process of MHGs during the expansion in China, this study explores the roles and influences of different stakeholders namely hoteliers, land developers and government through the interviews. The qualitative analysis shows that the market size played a dominant role in the perceptions of the location selection among MHGs in China. In addition, it also emphasizes company size and political issues as the main influential factors for the company locational strategies. Cultural distance and international experience of hotel brand were also attracted attention from the industrialists. Although hoteliers and land developers raised the importance of tourism resources and road accessibility, the government officers rarely mentioned it. More surprisingly, labour price, which has been largely mentioned in previous research, has only been mentioned by three interviewees during the qualitative data collection. This also emphasized the development and the change of the hotel industry from labour-intensive to experiential-intensive.

The results of interviews also demonstrated the complicated decision-making process of hotel location choice, which was consisted of hoteliers, land developers and government officers. And it also supported the availability of applying game theory in

this complicated decision-making process. There are three steps in the locational decision-making process in the context of the Chinese hotel industry which is the local government initiated the land plan to request the land developers bidding, the land developers then choose the hotel company who is willing to operate in the property and the hotel company reaches an agreement with the land developers.

9.2.3 To develop decision-making regression models to reflect location strategies of MHGs in China

With the purpose of evaluating the potentially influential factors affecting the locational strategic decision formulation in the Chinese hotel industry, insights were obtained from examining the interests of the government, land developers and hoteliers in contributing to the locational strategy of MHGs. Through constructing a regression model, the potential relationships between government, land developers and hoteliers were identified by testing the impacts from market size, labour price infrastructure construction, and tourism resources.

The theoretical model identified and assessed the impacts of eight underlying factors including interests of government (GDP) and land developers (real estate development), locational attractiveness (market size, labour price, tourism resources and public transportation), and influence from government and land developers (*DUMP*, *DUMC*) on the development of MHGs in mainland China. As seen from the results, market size, labour price, road accessibility, tourism resources, government policy and culture distance have a significant influence on the MHGs locational strategy decision making.

According to the results from the qualitative analysis, it is theoretically proposed by the government to settle the plan for the usage of the land. With the influence of the policy made by the local government, land developers and hoteliers engage in the decision-making process. It is formed by a mutual and restricted relationship between these three players while hoteliers and land developers become allies to some extent in order to meet the requirements raised by the government. With the suggestion of the model, the commercial profits are not the priority reason for the government choosing the hotel location. Influential factors such as market size, labour price, tourism resources and infrastructure construction of public transport have a critical influence on the

government policy formulation. However, it should be noted that the results of the regression analysis clarify that hoteliers have no significant influence on the government policy decision. In other words, the decision made by the government will not consider the hoteliers' position while hoteliers are necessary to consider the policy carried out by the government. From the perspective of land developers, the regression analysis indicates that market size, labour price and tourism resources will have an influence on the decision making. However, the convenience of public transport has no significant influence on the investment decision. In addition, it should be noted that tourism resources have a negative influence on the investment of real estate. In terms of the hoteliers, it clearly demonstrates that influential factors, more specifically, market size, labour price, tourism resources, infrastructure construction, and cultural distance will influence the new hotel property selection. Additionally, the role of government and land developers have been emphasized in the hotelier model which both have a significant influence on the number of multinational hotel properties. In the following sections, in order to emphasise the interests of each player during this decision-making process, each model will be discussed by aligning with previous literature and explaining the results gained from this empirical study.

It proves that the size of the market is positively influencing the hotel location decision. More specifically, the market size is the priority reason for all three players and forming the negotiation between each other. The price of Chinese labour has experienced a great increase in recent years leading to the labour-intensive industries such as the hotel industry paying attention to it especially during the business expansion procedure internationally. Tourism resources is another important factor for choosing the hotel location as well as the surrounding public transportation. However, different from the mainstream research findings, the results of this study implicate that the decision of selecting a new hotel property is negatively related to the economic growth of the local cities in mainland China. It has also proved that the role of the Chinese government still significantly influences the development of the tourism and hospitality industry. And the trend of the hospitality industry transferring from first-tier cities to secondary or even third-tier cities is probably triggered by the government, who initiate the locational decision-making process by proposing the land using plan. The findings generated from regression analysis indicate that the decision-making process has been involved with three players namely hoteliers, government and land developers. Instead of making the

decision by the MHGs, it is a decision that is taken by the negotiation between the mentioned groups above.

9.3 Implications of the Study

The implications of this study include both the theoretical contributions to the academic research and the practical implications for relevant industrialists. These implications are summarised in the following two sections.

9.3.1 Theoretical Implications

9.3.1.1 Enriching the existing literature regarding MHGs

This study set out to identify the gap in knowledge and issues in the decision-making process of selecting new hotel property during the expansion of MHGs in China. The prevalence of franchising and management contracts in the hotel industry has resulted in the focus of academic research from location choice to entry mode selection (Altinay and Miles, 2006, Altinay and Javalgi, 2007, Andreu et al., 2016, Chen and Dimou, 2005, Contractor et al., 2003, Kundu and Contractor, 1999, Johnson and Vanetti, 2005, Yang and Buschman, 2017). However, the definitional issues of MHGs, typologies of IHCs and the differences between IHCs and MHGs have been neglected in the previous research. By synthesising the extant literature, this study made important contributions to the hotel management literature. Although it was acknowledged that government might be a key player for a business operating in China, many researchers have overemphasized the adverse influence of the local government (Zhang et al., 2005, Gu et al., 2012, Gross et al., 2013a). In addition, cultural distance has received considerable attention from previous research (Deng et al., 2019, Zhang et al., 2012, Rodríguez, 2002). However, little research was revealed as to how Chinese cultural can make contributions to decision making choice. Therefore, this study offered a holistic approach to review the decision-making process of hotel location property and combined the specific features of the Chinese hotel industry together to examine international hotel corporations behaviours. Specifically, this study provided a theoretical and systematic understanding of the MHGs with the clarification of differences between MHGs and IHCs in the context of the Chinese hotel industry.

Previous research related to MHGs has employed many theories from the international business field such as transaction cost theory (Elhoushy et al., 2020, Akbar and Tracogna, 2018, Kruesi et al., 2018), RBT (Barney, 2012, Nieves and Quintana, 2018, Silva et al., 2017) and OLI theory. However, few of them articulate the differences between manufacturing and hospitality companies especially examining the internationalisation strategies. CSA-FSA provided a considerable framework to analyse the influential factors for internationalisation but without considerations of the specific involved participants during the location strategic decision-making process, especially in the context of the Chinese environment. This research contributed to the understanding of the MHGs internationalisation strategies by combining the existing theories from different perspectives such as agent theory and RBT. More importantly, this research contextualised the theoretical framework in the specific situation of the Chinese hotel industry considering the role of the government, the role of Guanxi and the role of Feng Shui.

In addition, the role of MHGs in the decision-making process of hotel location was assessed in the regression analysis. With the adoption of a different research perspective by utilising game theory, it is suggested that the current study contributed to filling the existing research gaps.

9.3.1.2 Refining the hotel location decision-making process theory

This study also contributed to the existing research by exploring the roles and influences of various stakeholders including hoteliers, land developers and government. Although many researchers have made effort to highlight the different stakeholders in the operation of the hotel (Dogru and Sirakaya-Turk, 2018, Wang et al., 2018b, Soler and Gemar, 2018), little research focuses on the role of these stakeholders in the location strategy decision-making process. Most of the previous research (Andreu et al., 2020a, Heung et al., 2008, Kruesi et al., 2018, Wong and Liu, 2010) regarded the decision of hotel location choice as decided by hoteliers themselves with the influence of other stakeholders. However, the findings of this research confirmed that the decision-making process is more complicated than ever expected. The analytical results of this study can contribute to shedding light on the importance of government and land developers in the location strategy formulation process.

In addition, with the purpose of understanding the decision-making process for hotel location, this study proposed that a novel approach gain these insights. The qualitative data analysis results made a contribution to the identification of the specific factors underlying the location choice of MHGs. Then, based on the identified factors, this study proposed regression models reflecting the interests of players to examine how the location strategy of MHGs influenced by the interrelationships between each player. It contributes to the epistemological debate on the applicability of game theory to explain the decision-making regarding the hotel property location selection issues in the emerging market. Game theory has relatively slow development in the tourism industry. One of the possible reasons is that the difficulty of building a competition model for the overexploitation of resources in commons among the tourism industry. However, the empirical evidence of this study highlights critical issues that MHGs expanding in China are necessary to consider. They are interests of both government and land developers, market size, labour price, tourism resources, road accessibility, government policy and cultural distance. By applying game theory, the conflicts and interests of each player during the negotiation process are clarified.

9.3.1.3 Highlighting the application of game theory

Game theory has been largely applied in several industries (Cachon and Netessine, 2006, De Pelsmacker et al., 2018, Esmaili et al., 2009, Levine, 2019, Soltani et al., 2016, Xuan et al., 2016, Yan, 2014) with the explanation of the rationale of decision making where the stakeholders involved can make strategic decisions to get a better deal. However, few attempts have been found to apply game theory in the hotel industry, especially for the locational decision-making process. Considering the complication of the hotel property location choice, game theory has enabled the researcher to have a deep insight into the different roles of players during the process. With particular regards to the model constructs, it is noted that the current study made theoretical contributions to the existing studies as the econometric models developed in this study can be used by researchers in conducting further research into the field of location strategy. This study opens the door to other studies and serves as a base for future studies exploring hotel location strategy by utilising game theory to build the three models representing the interests and conflicts between each other. Further research can test other important variables in the host countries by considering the specific external

environment.

The current study also contributed to hotel management research in the specific context of China. More specifically, this study contributed to the understanding of the Chinese hotel industry as well as the challenges that might be confronted with MHGs. Previous research has largely focused on the developed countries hotel industry (Johnson and Vanetti, 2005, Alon et al., 2012, Soler and Gemar, 2018, Godinho et al., 2018b). Although there is a growing interest in emerging markets such as China and India, research in the Asian context is comparatively less mature. More importantly, the current study filled in the gap that limited studies in researching MHGs location strategy in Mainland China.

9.3.2 Managerial Implications

In terms of the managerial implications, this study highlights influencing factors such as the negotiation between the government and land developers as well as market size, labour price, tourism resources, infrastructure construction, government policy and cultural distance when making the decision to build a new hotel property in China. The results of this study provide managers of MHGs with useful information on the influential factors mentioned above when expanding their business into mainland China.

9.3.2.1 Government

Many researchers have already emphasized the importance of government, however, most of these research lack illustrating how government influences hotel location or demonstrating the role of local government. Based on the results of this study, it contributes to the current literature that the decision-making process of hotel location in China is where government to settle the plan for the usage of the land firstly, followed by the engagement of land developers who are finally calling for the hoteliers to manage the property. Different from the mainstream research findings, the results of this study implicate that the decision of selecting a new hotel property is negatively related to the economic growth of the local cities in mainland China. It has also proved that the role of the Chinese government still significantly influences the development of the tourism and hospitality industry. And the trend of the hospitality industry transferring from first-tier cities to secondary or even third-tier cities is probably triggered by the government,

who initiate the locational decision-making process by proposing the land using plan. It is implied that government policy, especially the land plan launched by the local land bureau department is crucial information for hotel managers. The reveal of the local land plan, it will clarify the future development of the proposed location including road accessibility and real estate development. However, it was indicated by the results of regression analysis, that tourism resources are negative with the increasing number of MHGs. As discussed in the previous chapter, it might have resulted from two aspects of reasons. Firstly, most of the cities with rich tourism resources are normally less developed. Secondly, hotels for business customers like meeting events have become the mainstream in China which requires locating in the economic centre. It is therefore noted that government still plays an important role in the hotel industry development in China, although the share of state-owned hotels is experiencing a decrease in recent years.

9.3.2.2 Land developers

Land developers have been unfortunately ignored by many previous researches, especially when refers to the entry mode selection issues. The lack notice of land developers has resulted in chaos of industrialists in MHGs if they attempt to extend their business in mainland China. The findings of this study show that land developers play a significant role of hotel property location selection. It is suggested that land developers generally consider market size, political and economic environment, cultural distance, tourism resources, road accessibility, and especially the government policy. In other words, it is suggested that land developers are following instructions from local government to build a property using for hotel.

9.3.2.3 MHGs

It is also necessary for managers of MHGs to consider the interests of land developers, as hoteliers and land developers are supposed to be allies to some extent in order to meet the requirements raised by the government. With the suggestion of the model, the commercial profits are not the priority reason for the government choosing the hotel location. Influential factors such as market size, labour price, tourism resources and infrastructure construction of public transport have critical influence on the government policy formulation. It should be noted that the results of the regression analysis clarify

that hoteliers have no significant influence on the government policy decision. In other words, the decision made by the government will not consider the hoteliers position while hoteliers are necessary to consider the policy carried out by the government. It might be a situation where in order to enhance the local city image, government ignores the economic benefits of MHGs and land developers. In addition, government is more focused on the long term while land developers and hoteliers are more concerned about the short term. Therefore, it is important for managers of MHGs to consider the balance of benefits and costs to meet the requirements from local government.

9.4 Limitations

Despite the theoretical and practical contributions of this study, it is also important to identify the limitations of this research. This study has focused on the issues about the locational strategic decision-making process of MHGs in mainland China. In order to gain insight from industrialists and facts, it provided a full examination of different three groups, government, land developers and hoteliers, at the locational strategy decision-making process, and then developed a regression model addressing the interests and the relationship between each other.

However, the first recognised limitation was in association with the theoretical model, in which destination attractiveness and influence from other players (government and land developers) were proposed as the underlying factors of influencing locational strategic decision of MHGs through market size, labour price, tourism resources and public transportation (location pull factors) and government policy and cultural distance (impact means). Although it is noted that the identification of the underlying factors was based on the review of previous international business research as well as the qualitative analysis, there are still possibilities that the study might fail to include some other influential factors during this location selection process. In addition, the quantitative analysis of this study was based on the results from the interviews collecting qualitative data from the industrialists both domestic and international hotel brands and government officers in the urban land bureau. This research focusses on the game between three major groups namely government, land developers and hoteliers respectively. It can be argued, however, that other players such as distributors, service suppliers and online travel agency may also play important role in this strategic

movement.

The second limitation was detected in relation to those identified factors that have been included in the model were limited by the location. This study only focusses on the specific location mainland China, which the findings might be exclusive for this particular area. It is argued that this area has specific features which were mentioned in the Chapter 2. In other words, the findings of this study might not be able to generalise or not capable to apply in other areas. Regarding the special context of China, the limitations are inevitable as locational decision-making process largely depended on the targeting area.

The third limitation was noted on the selection of data collection in the present study which was subject to the time limitation. The first reason behind this limitation is due to the availability of data which backward areas have limited access to the statistical data although China is the second largest economy in the current world. The researcher was confronted with the problem to collect the regional data especially for the third or fourth tier cities in China. Therefore, the result of this study might be biased since the limited options for choosing the cities below tier two. The second reason behind the time limitation is raised by the outbreak of corona virus (COVID-19) pandemic in the early 2020. With the alerts from World Health Organization (WHO), the total number infections of COVID-19 have been confirmed with 4307287 worldwide with 295101 deaths (15 May 2020). COVID-19 has resulted in the plunge in the touristic products (Bakar and Rosbi, 2020, Fernandes, 2020, Niewiadomski, 2020, Zheng et al., 2020) including the hotel product. Therefore, the hospitality industry in China or even global hospitality industry has faced unprecedented challenge which might completely change the hospitality business model within the industry.

9.5 Suggestions for future research

In addition to the contributions and limitations of this study outlined in the early this chapter, this section aims to provide several recommendations for future research. Firstly, future research should focus on testing the theoretical model with the inclusion of additional factors and proposing a more comprehensive model with additional considerable player groups. As mentioned in the first limitation of this study, the

theoretical model in the study might omit some influential factors regarding the locational decision such as the quality of the labour force, the intention of local consumer, and the preference of brand loyalty. Therefore, it is logical to develop this study by combining other theory areas such as international business, consumer behaviour, and brand management in the future. In addition, consumer might also play an important role in this locational strategic decision process which has only be presented as the market attractiveness in the current study. It should also be noted that consumer behaviour, their decision making process, consumer preference and attitude, these factors will also influence MHGs to decide whether to enter into the local market. Other players such as suppliers, distributors, and online travel agency should also be tested and regarded as additional potential impactors.

Secondly, with the limitation of location, it is recommended that future research should further exploring the targeting market or region to apply the research methods mentioned in this study. It was emphasized in the literature review parts of this study that scholars have noticed the importance of emerging markets such as China and attempted to figure out the typical features of these markets. However, there are still concerns that limited literature about the change of these markets. For instance, China was regarded as the labour cost saving market while the price of the labour force has experienced a dramatic increase especially in the east coastal cities. The gap between the facts and literature requires future research to pay much more attention to the change happened in the market instead of applying the previous research findings.

Thirdly, based on the time limitation of data availability, it is suggested that future research adopt other data collection methods such as questionnaire or interviewing to acquire more reliable and validity data. In addition, it can be argued that the local government will release more relevant recording data with the city development. Future research might be able to access more database and dataset to amplify the degree of illustration.

Lastly, with the global threats of COVID-19 pandemic, another suggestion for future research is to gain insights from the post-pandemic MHGs strategic action. The influence of COVID-19 on the hospitality industry is devastating not only due to the restrictions on providing service products such as contact free under the rule of social distancing and safety priority, but also the plunge in the demanding perspective. Future

research should rethink the development of hotel industry including the locational strategic decision making process which implicates non-equity entry mode might not be the most prevalent business expansion method. This would be beneficial to add more understanding to the current research topic.

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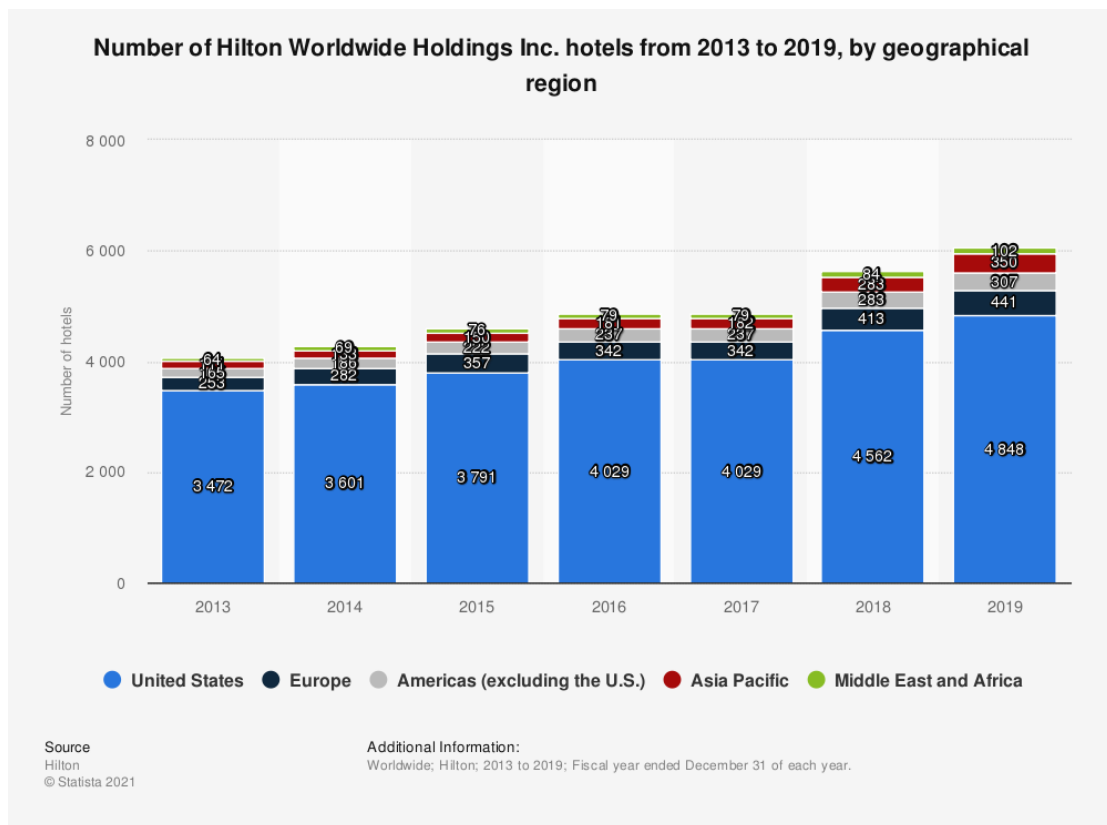
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Appendix I



Appendix II Potential Semi-structured Interview Questions

Block 1 MHGs

1. Before starting our interview, may I ask how long have you been working in this industry and this hotel (if applicable)?

2. What are the hotel's potential targeting customers? Will the market segment influence the hotel's location selection?

A wide range of international market entry modes have been employed by MHGs in the modern hospitality industry such as wholly owned, joint venture, strategic alliance, franchise, management contract. And most of giant hotel corporations have shifted their business strategy from owning to operating properties, such as Marriott and Hilton.

3. What are the decisive factors for the entry mode of multinational hotel groups when they are going to move into a new market?

Block 2 Game Theory

Franchising, as one of the most prevalent entry modes, has resulted in the current situation that most of giant hoteliers such as Marriott and Hilton does not own or just hold small proportion of the hotel properties. It raises the significance of the land developers.

1. Do they play an important role in this locational negotiation?

2. How about their position during the locational negotiation in management contract and marketing consortium?

3. Who or which department of MHG is in charge of the location selection issues?

4. What is the position of government in the process of selecting location?

Block 3 Location Strategy

1. What kind of factors will you consider as priorities when choosing the location?

2. Will the hotel think about the price of land rent?

3. Will the hotel prefer to near tourism attractions or central business district?

In China, 'Feng Shui' as a traditional custom for Chinese people, especially in Hong Kong and Taiwan has a significant in business behaviour.

4. Will the culture distance affect the process of selecting location?
5. Will the less susceptibility to political, economic and cultural risks improve the hotel's adaption of the new market?
6. Based on the distinctive features of Chinese hospitality industry, especially the role of government, will the relationship with the local government influence the location strategy?

Extra questions might be raised based on the answers from Block 1.

Appendix III Semi-structured Interview Questions

Block 1 Experience

1. Have you/did you work(ed) in hotel sector?
2. What kind of role have you worked as?

Block 2 Decision-making Process

1. Who or which department of MHG oversees the location selection issues?
2. Based on your experience, who are key external stakeholders participated in such locational decision-making process?

Franchising, as one of the most prevalent entry modes, has resulted in the current situation that most of giant hoteliers such as Marriot and Hilton does not own or just hold small proportion of the hotel properties. It raises the significance of the land developers.

3. Reflect on your experience, do you think land developers/property developers play an important role in the locational negotiation?
4. How about their position during the locational negotiation in management contract and marketing consortium?
5. Do different levels of governments influence your decision of hotel locations? Reflect on your experience, do you think such influence is as important as those developers?

Block 3 Influential Factors

1. What are the decisive factors for the entry model of multinational hotel groups when they enter and expand?

A wide range of international market entry modes have been employed by MHGs in the modern hospitality industry such as wholly owned, joint venture, strategic alliance, franchise, management contract. And most of giant hotel corporations have shifted their business strategy from owning to operating properties, such as Marriott and Hilton.

2. What kind of influential factors will you consider as priorities when choosing the

location?

3. Will the hotel think about the price of land rent?

4. Will the hotel prefer to near tourism attractions or central business district?

In China, 'Feng Shui' as a traditional custom for Chinese people, especially in Hong Kong and Taiwan has a significant in business behaviour.

5. Will the culture distance affect the process of selecting location?

6. Will the less susceptibility to political, economic and cultural risks improve the hotel's adaption of the new market?

Appendix IV Semi-structured Interview Questions (Chinese)

模块 1 个人经历

1. 请问您之前是否在酒店行业工作？
2. 请问您具体是负责什么样的工作？

模块 2 制定决策的过程

1. 请问酒店集团中的哪一个职位或者部门是负责酒店地址选择等相关事宜？
2. 根据您的个人的经验，您认为在区位选址决策的制定过程中谁是最关键的外部相关利益方？

作为如今最流行的进入模式，特许经营导致了现如今，像万豪酒店和希尔顿酒店这样的大型酒店经营者并不拥有或仅仅持有一部分酒店地产。而这使得土地开发商在酒店选址的过程中的作用进一步增强。

3. 根据您的个人的经历，请问土地开发商在酒店选址的谈判中是否扮演了一个重要的角色？
4. 那他们在管理合同以及联合管理中是否也有相同的作用？
5. 根据您的个人的经验，政府是否在跨国酒店集团选址的过程中起着不同的作用？与土地开发商在这个过程中所起的作用相比，请问他们的影响程度是否相同？

模块 3 选址策略

1. 跨国酒店集团进入新市场时，其进入模式的决定性因素是什么？

在现在的酒店行业，跨国酒店集团采取了各式各样的国际市场进入模式，如全资拥有，合资经营，战略联盟，特许经营，管理合同等等。绝大多数的酒店集团巨头们，如万豪和希尔顿，已经将他们的商业战略从拥有酒店转变为经营酒店。

2. 当跨国酒店集团选址时，什么样的因素会进行优先考虑？

3. 酒店是否会考虑场地的租金？


4. 酒店是更加倾向于临近旅游景点还是商业中心？

风水作为一个中国人的传统习俗，尤其是在香港和台湾，对于商业行为有着极其重要的影响。

5. 文化上的差异是否会影响酒店的选址？

6. 政治的稳定，经济的平稳以及文化的相近是否会影响酒店对于新市场的适应？亦或是影响酒店的选址？

Appendix V Ethical Form

 <p style="text-align: center;">Faculty of Business Academic Partnerships</p> <p style="text-align: center;">Faculty Research Ethics Committee</p> <p style="text-align: center;">APPLICATION FOR ETHICAL APPROVAL OF RESEARCH</p>	(For FREC use only) Application No:													
	Chairs action (expedited)	Yes/ No												
	Risk level -if high refer to UREC chair immediately Cont. Review Date	High/ low / /												
	Outcome (delete)	Approved/ Declined/ Amend/ Withdrawn												
1.	Investigator/student <i>*Note:1</i> Xiazhao Chen	Student - <i>please name your Director of Studies or Project Advisor.</i> and Course/Programme: Dr. Rong Huang PhD Tourism and Hospitality (3510)												
	Contact Address: Room 216.1, Beckley Point, 192 Armada Way, Plymouth, PL1 1LD													
	Tel: +44(0)7874081407 Email: xiazhao.chen@plymouth.ac.uk													
2.	Title of Research: Location Strategies of Multinational Hotel Groups in China: An Application of Game Theory													
3.	Nature of approval sought (Please tick relevant boxes) <i>*Note:2</i> a) PROJECT: <input checked="" type="checkbox"/> b) PROGRAMME <input type="checkbox"/> (max 3 years) If a) then please indicate which category: <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Funded/unfunded Research (staff)</td> <td><input type="checkbox"/></td> <td style="width: 50%;">Undergraduate</td> <td><input type="checkbox"/></td> </tr> <tr> <td>MPhil/PhD, ResM, BClin Sci</td> <td><input checked="" type="checkbox"/></td> <td>Or Other (<i>please state</i>)</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Masters</td> <td><input type="checkbox"/></td> <td></td> <td><input type="checkbox"/></td> </tr> </table>		Funded/unfunded Research (staff)	<input type="checkbox"/>	Undergraduate	<input type="checkbox"/>	MPhil/PhD, ResM, BClin Sci	<input checked="" type="checkbox"/>	Or Other (<i>please state</i>)	<input type="checkbox"/>	Masters	<input type="checkbox"/>		<input type="checkbox"/>
Funded/unfunded Research (staff)	<input type="checkbox"/>	Undergraduate	<input type="checkbox"/>											
MPhil/PhD, ResM, BClin Sci	<input checked="" type="checkbox"/>	Or Other (<i>please state</i>)	<input type="checkbox"/>											
Masters	<input type="checkbox"/>		<input type="checkbox"/>											
4.	Funding: a) Funding body (if any): NA b) If funded, please state any ethical implications of the source of funding, including any reputational risks for the university and how they have been addressed. <i>*Note: 3</i>													
5.	a) Duration of project/programme: <i>*Note: 4</i> 3 Years	b) Dates: 01/04/2017												
6.	Has this project received ethical approval from another Ethics Committee? Y/N a) Please write committee name: b) Are you therefore only applying for Chair's action now? Yes / No													
7.	Attachments (if required)													

	<p>a) Application/Clearance Form</p> <p>b) Information sheets for participants</p> <p>c) Consent forms</p> <p>d) Continuing review approval (if requested)</p> <p>e) Other, please state:</p>	<p>Yes / No</p> <p>Yes / No</p> <p>Yes / No</p> <p>Yes / No</p>
<p>*1. Principal Investigators are responsible for ensuring that all staff employed on projects (including research assistants, technicians and clerical staff) act in accordance with the University's ethical principles, the design of the research described in this proposal and any conditions attached to its approval.</p> <p>*2. In most cases, approval should be sought individually for each project. Programme approval is granted for research which comprises an ongoing set of studies or investigations utilising the same methods and methodology and where the precise number and timing of such studies cannot be specified in advance. Such approval is normally appropriate only for ongoing, and typically unfunded, scholarly research activity.</p> <p>*3. If there is a difference in ethical standards between the University's policy and those of the relevant professional body or research sponsor, Committees shall apply whichever is considered the highest standard of ethical practice.</p> <p>*4. Approval is granted for the duration of projects or for a maximum of three years in the case of programmes. Further approval is necessary for any extension of programmes.</p>		

8.	<p>Aims and Objectives of Research Project/Programme:</p> <p>There are three aims of this research which are to critically review literature related to MHGs regarding the current situation in China and their decision-making process for hotel location choice, to develop in-depth insights into key factors influencing the locational decision-making process of MHGs during their expansions in China, and to develop decision-making regression models to reflect location strategies of MHGs in China.</p>
9.	<p>Brief Description of Research Methods and Procedures:</p> <p>This research uses a semi-structured interviewing method to collect qualitative data, which will require roughly 10 to 20 relevant stakeholders in the Chinese hotel industry with the rich experience of locational decision-making process. They will be asked for the most basic information and their opinions about the influential factors for the strategic decision. The respondents were chosen by snowball sampling who are recommended by the respondents. It is because the purposes of research limiting the number of participants who should have considerable experience on the hotel location decision making process. And their answers will be used to do framework analysis in order to get the factors which are significant to these stakeholders, and which are not relevant to them.</p> <p><i>Specify subject populations and recruitment method. Please indicate also any ethically sensitive aspects of the methods. Continue on attached sheets if required.</i></p>
10.	<p>Ethical Protocol:</p> <p>Please indicate how you will ensure this research conforms with each clause of the University of Plymouth's <i>Principles for Research Involving Human Participants</i>. Please attach a statement which addresses each of the ethical principles set out below.</p> <p>(a) Informed Consent:</p> <p>Firstly, respondents are informed about the purpose and objectives of the study before they take part in the interview, which refers to exploring their opinions that influence consumers' impulsive purchases during the live streaming shopping. They are also informed in advance about the approximate time needed to complete a questionnaire. Finally a contact email address will be provided for any dissatisfaction or other issues in the study to ensure that participation is as voluntary as possible.</p>

	<p>(b) Openness and Honesty:</p> <p>The researcher will be open and honest with participants avoiding non-disclosure in order to ensure that the appropriate data are collected.</p> <p><i>Note that deception is permissible only where it can be shown that all three conditions specified in Section 2 of the University of Plymouth's Ethical Principles have been made in full. Proposers are required to provide a detailed justification and to supply the names of two independent assessors whom the Sub-Committee can approach for advice.</i></p>								
	<p>(c) Right to Withdraw:</p> <p>All participants are allowed to withdraw from the research for any or no reason and at any time. And this right is fully informed at the beginning of the research.</p> <p><i>Note that this section should also clarify that participant's data will be destroyed should they withdraw, in accordance with best practice.</i></p>								
	<p>(d) Protection From Harm:</p> <p>This study may not involve safety issues, as most of interviews are proposed to finish through internet or telephone. It will not cause any harm or risk to the respondents. Other face-to-face interviews are supposed to held in the public area following the rules and regulations of daily life.</p>								
	<p>(e) Debriefing:</p> <p>Participants will be fully debriefed at the beginning of each interview with the illustration of the aims and methodology of the project. And they will also be asked explicitly if they have any questions about the research. And the agenda of the research will be made entirely transparent to the participants.</p>								
	<p>(f) Confidentiality:</p> <p>The data storage will take place on my personal device and saved on the university drive. The data will not be disclosed to any third parties. It is promised that these data will only be used in this study. The data will be storage for around five years, which will be deleted after totally finish and submit the thesis. And there is no third party taken part in the research. All the data are protected in the safe place and will not be used in the public area such as the computers in library.</p>								
	<p>(g) Professional Bodies Whose Ethical Policies Apply to this Research:</p> <p><i>The committee strongly recommends that prior to application, applicants consult an appropriate professional code of ethics regardless of whether or not they are members of that body (for example, Social Research Association . http://www.the-sra.org.uk/ethical.htm Market Research Society http://www.mrs.org.uk/standards/codeconduct.htm British Sociological Association http://www.britisoc.co.uk/equality/). Applicants MAY choose to write "not applicable" in the "Relevant Professional Bodies" section of the Ethical Application Form. However, it is very rare that there would be no professional/academic code of ethics relevant to a given research project. If based on the information written in other sections of the form, FREC considers a particular professional code to be of relevance, then the Committee may make its consultation and adherence a condition of acceptance.</i></p>								
11.	<p>Declaration*:</p> <p>To the best of our knowledge and belief, this research conforms to the ethical principles laid down by Plymouth University and by the professional body specified in 6 (g).</p> <table border="1" data-bbox="255 1989 1567 2027"> <thead> <tr> <th data-bbox="255 1989 619 2027"></th> <th data-bbox="619 1989 868 2027">Name</th> <th data-bbox="868 1989 1305 2027">E-mail (s)</th> <th data-bbox="1305 1989 1567 2027">Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="255 2027 619 2027"></td> <td data-bbox="619 2027 868 2027"></td> <td data-bbox="868 2027 1305 2027"></td> <td data-bbox="1305 2027 1567 2027"></td> </tr> </tbody> </table>		Name	E-mail (s)	Date				
	Name	E-mail (s)	Date						

Principal Investigator:	Xiazhao Chen	Xiazhao.chen@plymouth.ac.uk	01/10/2017
Other Staff Investigators:			
Director of Studies (only where Principal Investigator is a postgraduate student):			

*You will be notified by the Research Ethical Approval Committee once your application is approved.

This process normally takes around 3-4 weeks.

Please Answer Either YES or NO to ALL Questions Below.

If you answer YES, please provide further details.

Do You Plan To Do:

- Research involving vulnerable groups – for example, children and young people, those with a learning disability or cognitive impairment, or individuals in a dependent or unequal relationship

Answer: No

- Research involving sensitive topics – for example participants' sexual behaviour, their illegal or political behaviour, their experience of violence, their abuse or exploitation, their mental health, or their gender or ethnic status

Answer: No

- Research involving groups where permission of a gatekeeper is normally required for initial access to members – for example, ethnic or cultural groups, native peoples or indigenous communities

Answer: No

- Research involving deception or which is conducted without participants' full and informed consent at the time the study is carried out

Answer: No

- Research involving access to records of personal or confidential information, including genetic or other biological information, concerning identifiable individuals

Answer: No

- Research which would induce psychological stress, anxiety or humiliation or cause more than minimal pain

Answer: No

- Research involving intrusive interventions – for example, the administration of drugs or other substances, vigorous physical exercise, or techniques such as hypnotherapy. Participants would not encounter such interventions, which may cause them to reveal information which causes concern, in the course of their everyday life.

Answer: No

Completed Forms should be forwarded BY E-MAIL to FOBResearch@plymouth.ac.uk

Please forward any questions/comments or complaints to:

*Terri Chapple (FOBResearch@plymouth.ac.uk) or via post Cookworthy Admin Hub,
Cookworthy Building room 307, Plymouth University, Drake Circus, Plymouth, PL4 8AA*

Updated: 22/09/16

Faculty Research Ethics Committee (FREC)

Ethical Review Form for Committee Members Only

Name of Applicant:

Student / Staff / Other:

Name of supervisor or PI:

- 1) Is there enough detail for you to review the application? **No / Yes**
(If No, then send application straight back to
FOBresearch@plymouth.ac.uk)
- 2) Has the applicant identified and addressed all ethical issues associated with the project?
No / Yes
- 3) Are project aims clearly expressed? **No / Yes**
- 4) Initial Outcome (see the box below):

Outcome	Please tick [X] and provide comments in box below
A) Full approval	
B) Approval subject to conditions (see below). These must be met and communicated to the Ethics Committee before research can start.	
C) Reject & invite re-submission (see below).	
D) Request for further information and/or changes to the application to allow the committee to make a decision (see below). Once an application has been re-submitted, it will be considered as a new application.	

5) Please provide comments regarding your decision:

Committee Member's Name: _____ Date: _____

Return to: Terri Chapple, Faculty of Business Research
(FOBresearch@plymouth.ac.uk)

Appendix VI Answers from interviewers

(I) Hilton sales director (Mr. Lian)

Block 1 Experience

1. Yes; I have been working in the hospitality industry for 26 years.
2. Mainly for the sales department of hotels.

Block 2 Decision-making Process

1. It depends on the specific hotel. In Hilton, the developing department is usually responsible for such issues and they are normally working in a team.
2. Political issues are really important factors in China, especially when it comes to the problem of nationality. Hotel groups have only one obvious purpose during the locational decision-making process, which is profit. Maximizing profit is not only the goal of our shareholders but also really important for us. Therefore, we have to consider a keyword, the period of return on assets. The shorter will be better. This is also the reason for most of MHGs why they would like to expand in the low-end market share rather than the luxury market. They do not really want to invest the amount of money into building a skyscraper-like Burj Al Arab Jumeirah which will cost a long period to get their money back. I believe that the rate of return on investment is the primary reason for expanding. And of course, it is also the decisive factor for choosing the location. If the project has shorter returns, faster profits and consequently lower costs will definitely result in building a property there.
3. Yes, the current developing situation of Hilton Worldwide has a close relationship with the land developers. The purpose of the hotel management is to get profits for land developers.
4. Of course
5. It is not the main factor, but it will play a conclusive role in the development of the city, image project, the market saturation of hotels in the certain region.

Block 3 Influential Factors

1. It is based on the hotel's knowledge or understanding of a certain region. For example, if you are familiar with the Chinese market, it will be much easier to enter this

dimension.

2. The development of MHGs themselves. If there are 2 or three companies willing to collaborate for a 5-year period, it will accelerate the speed of entering a new market. In addition, the saturation of hotels in a certain region is also really important. As a result, government plays an imperative role in the process of setting up a new property. Government has wide control not only in land planning but also in the balance of the market. For example, if this region has a lower degree of saturation of hotels, the government will encourage MHGs to settle a new property in this region. For example, it is impossible to encourage the hotel groups to put a new hotel in Beijing, Shanghai, Guangzhou, or Shenzhen, as the saturation of hotels in such areas has reached the summit. However, it is still rare to see more new hotels in Xinjiang province, although the saturation of hotels in Xinjiang is in a lower position. It is because of the market factor, the volume of market size.

3. Will consider. The purpose of hospitality management is to help land developers gain profits. In addition, we also consider the cost of labour. For example, it will cost more if you hire an employee in Beijing than in a small town.

4. Both of them are possible.

It is important to be aware that whether the type of hotel is suitable for the type of site when deciding to expand into a new market. An example here is that Beijing as the capital of China, could be regarded as a tourism city and commercial city simultaneously. In other words, it is suitable for both travellers and business people. However, it might not be reasonable for a business hotel to open in Sanya where it is only a tourism city. The result is that in Beijing, you could see a lot of business hotels, budget hotels and luxury hotels while in Sanya, most of them are tourism resort villages.

5. Yes, nevertheless, it is usually to see that hotels will ask the master of Fengshui to measure and calculate when they are ready to pre-operate. In addition, it is normal to see that lion dancing (a traditional Chinese dancing performance) on every first day of the Chinese new year in order to bring the lucky and fortunate to the hotel. Moreover, it also affects the direction of desks in the office.

6. Yes. A hotel is a complex of social behaviour reflected a social condition. For example, when a plague or natural disaster occurs, there will be travel alerts that will affect the operation of the hotel. Therefore, when it comes to the decision-making

process of hotel location, corresponding predictions is necessary for the hotel company.

7. Whether the influential factors which Hilton Worldwide considered when they decide to enter into tier 2 or 3 cities are the same as the factors they decided to expand in a megalopolis?

The trend of Hilton Worldwide in China is building more economy hotels instead of typical grand hotels such as Garden Inn. In November of 2017, there were only around 100 Hilton hotels in China. However, this number will increase to approximate 1000 by the end of 2025. And the main propelling force is the economy hotels such as Garden Inn what we mentioned before. According to the types of cities, there are different strategies of deployment. Capitals of the province, tourism cities, and small-town such as Yuyao will be the main centre for Hilton Worldwide. In addition, the future development trend will focus on small budget hotels such as Garden Inn instead of large business hotels. Because it has a short period of return on assets. Of course, the most important issue is that investors believe that the Chinese market has a huge potential market.

(H2) General Manager of Taiyuan Li Hua Grand Hotel (State-owned) in Shanxi province.

(Ms. Song) She does not want to disclose her name in any reports or articles.

Block 1 Experience

1. Yes; I have been working in the hospitality industry for 13 years.
2. I started from the grass-roots staff and have worked in almost every department such as the housekeeping department, front office department and sales department ('sales manager'). But now I focus on the daily running issues about the hotel by setting up objectives and delegating missions to each department.

Block 2 Decision-making Process

1. The decisions of building state-owned hotels are not by the hotel groups or companies. It is decided by political reasons. For example, the provincial capital needs a place holding solemn ceremonies, conferences and receiving national leaders. It is also the image of a city. Local government is the investors with the considerations of macro

environment. The state-owned hotel will not disappear in recent years since they still have an important influence in the industry. However, it is a serious situation for state-owned hotels where problems might be raised from breaking away from the original investment department.

2. As I mentioned before, political issues are really important factors in China. In addition, the opinions of the land planning bureau and land department are dominated in this process. It is decided by a land planning document in which the usage of land will be allocated. However, a hotel corporation normally plays as an operator instead of possessing the assets of the hotel. Owners of land have the right to choose the hotel brand.

3. I think so. Owners decide which hotel brand will be deployed in the location instead of international hotel chains. In other words, it is the cooperation between owners and hotel companies resulting in the rapid development of the hospitality industry. Lihua is also one of these results which are established by the investment committee.

5. Absolutely, it will be more attractive if it is decided by the local government to invite investment. They will provide various incentive policies. But it is hard to decide the influence degree of each party.

Block 3 Influential Factors

2. The profit of their stakeholders. As I mentioned before, it is not a unilateral decision made by hoteliers, but the results of multiple parties. It is an abstract concept fundamentally affected the revenues of the hotel including return on investment, sales growth and occupancy rate. The criteria for an appropriate location is measured by company performance. Therefore, factors relating to the corporate's performance will be the priorities for the hotel to consider.

3. Of course. However, hotelier usually reaches an agreement with landowners before the operation even before the construction of the hotel. The contract will decide the volume of the rent. Normally, the period of contract will not be less than one decade. It means that they have already made an agreement about the rent for this period.

4. Both of them are important for one hotel. Normally, it is hard to combine these two factors together. In most cases, the hotel will consider the capacity of the factor no matter it is a tourism attraction or business centre. If the capacity of tourists is not as

good as we perceived, it is definitely better to settle the hotel near to the center of city. It must have a certain degree of influence on the construction of the hotel. However, Feng Shui, this concept has been faded during these years. And it is not a big picture question for foreign hotel companies to come into the Chinese market.

5. It is what we call cultural distance. Each hotel will definitely consider this factor as it is a necessary recognition for receiving foreign tourist arrivals. Of course, it also affects the locational strategies of hotel companies.

6. Yes, absolutely. Macro environment including politics, economics, social, legal and culture will influence the performance of hotel companies, especially for those international hotel chains. In addition, the industry environment is another factor worthy to consider deeply. The reason for the expansion of hotel companies is the requirement of the hotel company's development and the attraction of the market. It is not difficult to understand the needs of the hotel themselves. However, the attraction of the market has two meanings. Firstly, it means the original might be saturated. And the company has to find a new market for their development. Secondly, the new market has the targeted customer groups which are hotel companies looking for. As a result, the macro environment and industry environment are both important for the hotel's adaption to the new market.

(H3) Questionnaire interview with (Ms. Huang)

Ms. Huang is currently charged with the human resources management in Jinjiang Hotel Group who also has previous experience in the Fuli Group, one of the largest hotel estate investors in China.

Block 1: Experience

1. Yes, 20 years of working experience in the hospitality industry, and during this period, I am occupied in the international branding issues for 19 years.
2. Human resources management, covering recruitment selection, salary and bonus, learning development training, employee relations, employee recognition, and employee performance assessment.

Block 2: Decision-making process

1. The headquarter of the hotel group has a relevant project development department with delegating vice president or directors, who are responsible for the negotiation with the issues of collaboration. Of course, it includes locational selection issues.

2. The decision of locations is decided by the financial capacity of the investors. With insufficient funds, it is advisable to choose a budget brand. The grand international brands have diversified choices as they own different levels of brands. It has a relationship with the financial capacity of investors. Generally speaking, the geographical location of a hotel has a crucial influence on its revenues, although management skills are another important factor.

Most hotel management groups normally adopt exporting methods of management and brand in the world. Few of them would like to hold assets. Land developers are not allowed to choose any hotel brands in casual. Each hotel brand has a set of restrictions on the amount of investment, the deployed hardware standard, geographical location, personnel allocation, the standard of salary and bonus. In terms of which, hotel brands can be chosen, hotel management corporation has a decisive effect rather than land developers.

3. You can not say that. It is a misunderstanding from outside the industry. Land developers chose the targeted location according to its financial capacity. Hotel management groups decide to choose the brand according to the individual brand's requirements of the standard about hardware, consumption ability and so on.

4. The same answer as above.

5. The same answer as above. The government usually does not play an important role. It depends on the financial capacity of developers.

Block 3: Influential Factors

1. The main method (expansion method) is currently management contract and few (of hotel groups) adopt franchising. Marriot and Hilton are always using this method while the possessed hotel assets by themselves are up to the few numbers of hotels in the initial stage of starting up a business. Almost all international markets unanimously adopt management contract with input brands and professional management.

2. The financial capacity of investors decide the location of hotel and (hotel) management corporation make decision about which (hotel) brand will be chose according to the hardware and consumption capacity of local city. The luxury brand is usually located in the golden circus area of first-tier cities which can support. And hotel management company has requirements of the price policy.

3. I can't see the point of the question. The hotel itself has investors except those who are aiming at renting locations and changing the usage of the location. In terms of this situation, they are normally budget hotels with small capital. Generally, an individual hotel is constructed by a specialized investment without rent. The purpose of (hotel) management is to maximize the return of investment from investors.

4. It results in unbiased preference that business centres and tourist attractions have different characteristics of operation with different positions. The habit of Fengshui is mainly caused by the preference of investors which is usually not the content considered by international hotel brands. However, international hotel brands normally notice and respect the preference of investors.

5. Answers as above.

6. Hotel management corporation will finally decide whether to enter the international market according to the result of considering the locational politics, economics and culture situation when collaborating with investors. They will carry out change and modification according to the combination between its a series standards of brand management and culture and consumption habits of location. Only by embracing change can the hospitality industry keep pace with time.

(H4) Telephone interviewing with Mr. Liang, who is the general manager of a homestay hotel company in Shanghai.

Investors

Government

Land developers

Market size, transportation, culture, tourism

Block 1: Experience

Almost all Chinese have a different pursuit of culture, whether it is the pursuit of the

Chinese culture of ‘home’ or ‘root’ or the yearning for foreign culture. As a hotelier, of course, you need to consider the inclinations and preferences of customers. And this is also the reason why large hotel groups not only have standardized first-line brands but also need a more unique ‘heterogeneous’ brand, such as Hualuxe to IHG. Whether it is to choose a business centre or tourism resources, the purpose is to get closer to the market. Therefore, they are all important factors in the hotel site selection process.

(L1) Telephone interviewing with Mr. Jin, who is the leasing manager of Anliang real estate company in Hefei, Anhui.

Block 1: Experience

1. How long have you worked in the business department?

Since I graduated from the university. It is almost 20 years.

2. I am in charge of real estate investment and the development and management of real estate.

3. Have you worked in any hotel corporations?

Sorry to say no. However, I majored in tourism management for my second bachelor’s degree. In addition, I had several communications with hotel corporations in terms of the real estate project.

Block 2:

1. Actually, hotels are normally part of the real estate project. According to the requirement of the real estate, a hotel is usually the component of the project.

Generally, those hotel corporations or as you said, multinational hotel groups such as Hilton and Marriot, do not bid for the land which is listed for sale in the auction held by the local government. They usually play as managers instead of owners. The entry model of these hotel companies is mostly management contracts. The decision-making process of the management contract is totally different from the whole ownership way. Therefore, all of those hotels are built by real estate developers instead of hotel corporations themselves.

2. Government has an influence on this decision-making process. Hotels, as an accommodation for business and leisure travellers in the city, has their own abilities to

meet the various demands from different groups. The government will issue some requirements in some cities' land plans which should include luxury hotels as part of the development. In some cases, hotels are the targets commanded by the local government. It is the responsibility of the real estate developers to build a hotel on the purchased land.

3. Yes, absolutely. Although not all of the land development projects will be added requirements by the government, they will ask the land developers to satisfy the standard of star-level for those specific projects. The government will also require the amount of investment including the level of hotel in the purchased land.

As the land developers, they will consider that whether the hotel is suitable for the overall investment since there are other projects including retailing and commercial residential building in the purchased land. In addition, key performance indicators such as cash flow and return on investment are other factors the land developers should also take into consideration.

4. Is investment capability an important factor for the land developers to consider?

Yes. As for the hospitality industry, its large investment and long, slow-return accompanied with bad liquidity make investment more uncertain and risky. The length of the contract will be depended on the discussion between two parties which could last for three, five or ten years.

Block 3:

1. First of all, these multinational hotel groups have a competitive reservation system. The quality of the hotel and competitive reservation systems are powerful tools for those multinational hotel groups. Targeted passenger flow is a negotiating point for both the land developers and multinational hotel groups. Therefore, multinational hotel groups will consider the following factors: city, area, traffic, the ability of land developers and the number of guest rooms of the expected hotel.

2. Not all of the hotels could meet the standards of multinational hotel groups. Only when these conditions are met the requirements of multinational hotel groups, they will negotiate with the land developers. As for the details of the contract, it will involve the issues including the number of appointed employees with the adopted way of managing. More importantly, the minimum revenue should also be included into the contract.

Based on the accepted contract, the land developers choose the service provider and constructor for the hotel company during the development of the land. In addition, hoteliers prefer the land developer to choose their frequent cooperative partners in order to ensure the quality of the facilities.

3. Actually, they do not think about the price of land rent since it is the management contract which means the ownership of land asking multinational hotel groups to operate in the properties instead of leasing the land. The price of land rent is linked to the issue of the return on the investment. However, hoteliers will suggest the room rates to the land developers which indicates the standard of service and relates to the profit. Hoteliers would provide the expected customer flow to the land developers according to their market research.

4. Supposedly, there is currently not too obvious culture distance to affect the process of selecting location since multinational hotel groups serve to the customers expected to come from all over the world which means strong inclusive and openness. It could be argued that multinational hotel groups attempt to adapt to the local market.

5. It is necessary. Because the hotel industry has weakness of the economic vulnerability which includes lots of unpredictable factors such as the decisions of government, war and natural disaster.

(H5) Telephone interviewing with Mr. Liu, who is a manager of one of the Chinese MHGs, a business hotel express in Wuhan, Hubei Province.

Block 1: Experience

1. Yes, with approximately 20 years experience.
2. I am in charge of the daily operation of the hotel.

Block 2

1. Usually, hotel groups will have a department aiming at attracting investment. It could be the marketing department or sales department. For instance, Greentree (one of the famous hotel chains in China) has a special department called “Zhao Shang” (literally means attracting investment), which is responsible for the issues of location selection. In addition, in some hotel companies, it might be called as “waituo” (literally means outside extension) department. You can understand it as a branch of the marketing department.

2. In terms of the multinational hotel groups, the consumption-ability of customers and the power of government might be the most important external stakeholders. The location should have a certain customer group with purchasing power. Otherwise, it will be a failure to settle the property there. In addition, a good relationship with the government (Guanxi, he mentioned the exact words) could bring the opportunities of holding the meeting.

3. In China, large-scale hotels are normally developed by real estate investors. A lot of real estates companies are engaged in hotel projects recently. The reason is that the land provided for bidding is always along with some requirements according to the planning made by the land administrative bureau. Therefore, if the land is fascinating for the land developer, they have to face the challenge to fulfil the mission asked by the government. After purchasing the land, the land developers will find a hotel company as their partner to finish the task. Of course, the government does not restrict the specific hotel brand. However, they will ask the requirements such as the star level, the room size and so on.

4. Government has a greater influence on the location selection issues when it comes to comparing with the land developers.

5. Government plays an important role in the hotel properties location selection, which is like a principle that tries to find some agents (developers) to delegate the tasks. In fact, most of the land developers are not willing to engage in the hotel project of the huge investment and long return period, if they compare it with the commercial residential building.

In southern China, Fengshui is a very important concept not only for the hotel industry but also for the citizens' daily activities. Therefore, regional exploration before investing in site selection is usually unavoidable. It is not only because of the feasibility of construction in such an area but also due to the investigation of Fengshui. However, what I have to say is that this is more of psychological comfort for investors

Block 3

1. In China, the requirements for joining the hotel chains are really low. The only requirement might be the real estate, whatever self-supporting or leasing. They will not consider the customer flow or building companies. Generally, the internal decoration should be allied with the standard of hotel chain. In addition, it also includes product marketing

2. Fengshui Southern district, Stable environment investing environment, Market size

(G1) Telephone interviewing with a current officer (Mr. Li) of land administrative bureau in Nanjing, Jiangsu Province.

Block 1: Experience

1. How long have you worked in the land administrative bureau?

Around 2 years.

2. What kind of role have you worked as?

Urban planning.

China's land model, in other words, the land transfer can be divided into two categories. One is the assignment of the land right. The land for the assignment is deploying for the needs of public welfare projects such as schools and hospitals. The other one is 'Zhao, Pai, Gua' (bidding, auction, quotation), which is applied to the project of profit-oriented land. The questions of the hotel are about profit-oriented projects. These projects are important components of perfecting urban service functions.

Hotels, for example like Crown Plaza and Sheraton, are normally following this procedure were taking the land by bidding, auction and quotation. Then, they can build their hotels. Generally speaking, they have to coordinate with the local government at the initial stage. Hotels have to reach an agreement with the government who has a will of building a hotel in such areas.

The government's opinions are derived from the plan. For example, if this place has been decided to deploy a school, then it is impossible for a hotel to construct a property here. In order to complete the functions of the city, it might be necessary to build a hotel in a location where is picturesque. However, the plan is normally designed up to two decades ahead of when the construction may be needed. For example, each province normally needs a conference reception centre in the capital city. Therefore, the plan will allocate an area for building an upper-class hotel with meeting rooms.

The intention of two parties will lead to collaboration. Then hotel companies might find a design institute for them to propose solutions which should include how to deal with

the traffic, how to combine with the view sites, and how to present the design etc. The government will finally choose the most competitive proposal among different applicants. If it is hard to decide which one is better, the government will filter the applicants by calling for bids. This is the decision-making process.

Therefore, it is a really important issue that the political environment should be exclusively stable according to my mentioning procedure above. The consistency of policy is crucially important. It is impossible to change the usage of land suddenly. For example, it is not allowed to transfer the profit-orientated land which was allocated for hotels into the collective constructive land without the permission of the plan. The legitimacy of the procedure is protected by the law. And it is the regulation for business survival in such a big macro-environment.

And there is another situation, new districts of the city. With the development of the city, especially these years, the requirement for urban land has increased dramatically. In order to face the challenge, the city always maps a region for a new district probably without the completed planning. For those areas the government has not decided the usage of the land, it is possible to change the purpose according to the different applicants' proposals. For example, a hotel company is able to communicate with the government if they take a fancy to the value of the investment in this place. Government, of course, will consider their opinions according to how much they could bring in tax and how many jobs could they create. Therefore, it is a dynamic and mutual mode instead of static and single direction.

With the agreement of two parties, an independent project will be established for this construction with the approval of the National Development and Reform Commission. Large project starts with land first-level development including "three supplies and one levelling" (supply of water, electricity and road, and level ground). In addition, housing demolition and placement are absolutely necessary.

There are two routes during this process happening simultaneously. The land route starts from you buying the land, implementing demolition and placement to first-level development and finally getting your certificate of land. The planning route begins with applying for the program examination and approval in the land planning bureau. With the approval of the planning, you can jump into your construction stage. This is the planning route.

However, the location decision-making process is the initial stage of the process. It is hard to say who is the most important one. Government has the right to decide which area will be used for hotels. But hoteliers will affect the decision of the government. It is a coordination process decided by the market.

(G2) Telephone interviewing with a former director (Mr. Wang) of urban planning and design institute.

Block 1 Experience

1. How long have you worked in the urban planning and designing institute?

Almost 12 years.

2. What kind of role have you worked in?

I started as an entry-level employee in land planning and design. And finally became as the director.

Block 2 Decision-making Process

1. Who or which department of the institute oversees the locational decision issues?

Normally, there is overall planning designed by the State Council and decided by the National People's Congress. If it is passed, each province will have a detailed document. This document named as White Paper will determine the purpose of using the land. It could be used for commercial land and also could be used for residential land. Definitely, it will consider the economic development, demand of the market and income of citizens to match the developing goal.

2. Reflect on your experience, do you think land developers/property developers play an important role in locational negotiation?

Absolutely, they act as the representative of the collaboration between land developers and hoteliers. Usually, land developers contact us directly who will make specific demands for land such as how much is the available construction area. By contrast, hoteliers rarely contact us.

3. Do different levels of government influence the decision of hotel locations? Reflect on your experience, do you think such influence is as important as those hoteliers?

To be honest, just a few years ago, due to the corruption of the government, if the land developer had a good relationship with the government, they would sell the land at a

lower price to the land developer. But nowadays, the government always uses auctions to sell the land according to the standard judicial procedure.

Therefore, the government has always played an important role in such a location selection process. Shangri-La in Hangzhou is a good example. After Shangri-La purchased the land offered by the local government, the hotel company found it was not suitable for them to build a new property in such an area. So they had an argument with the government. The result is the government allowed them to re-choose the land. Of course, I think there might be multiple rounds of talk during this decision-making process since they have to consider the price of land.

(L2) Telephone interviewing with a director (Ms. Chen) of Wanda Hotel Investment & Development Company.

Actually, there is more than one party in the process of hotel development from zero to final operation. It is always referring to five different professional subjects in a luxury hotel developmental project. Firstly, as you mentioned, developers or property investors are responsible for acquiring the right of developing land. Therefore, they have to consider first whether it is possible to invest in such an area. This is based on their financial capacity and expectations of revenues. The investment department of the owner obtains the right of developing land by bidding, auction, alteration and acquisition.

Then, the hotel consultancy company will take part in the process with help in positioning, designing of assignment books and filtering hotel brands. According to the attributes of location and resource condition, the hotel consultancy company will plan the types of projects including the return of investment. In addition, the hotel consultancy company will refine the function of the hotel and form the assignment book. Finally, they will search the suitable hotel groups or brands for the project with the commensurate image. They play an important role in this process as a leader or director for the investor. They can help investors save time and money.

The third player is a hotel design company with the design details of the hotel. It includes architectural design, interior decoration design, mechatronics design, circuit design and so on. Based on their work, the project construction company will join the process. The project construction company usually completes the hotel project with a combination of general contracting and subcontracting. The project will be divided into

civil engineering, internal installation, electromechanical installation, fire protection, heating and ventilation, and garden. According to the different sources of project capital, the determination of each construction unit can be divided into two categories which are opening bidding and invitation to bid.

The final anticipant is the hotel operator. We often work with multinational hotel groups such as Marriott, Accor, Hilton and IHG. They are responsible for the daily running operation of the selected location. It includes pre-opening management, official operation and asset management. The final hotel property is based on the work of these five groups.

For example, we have project departments such as planning, cost, safety supervision, marketing, finance and human resources. This system enables us to achieve high quality for building hotels. We will contact the hotel management corporation before purchasing the land from the government. They will offer different proposals for us to choose. And according to the details of location, we decide the amount of investment. Usually, multinational hotel groups have their own hotel design studio or group. However, our hotel design department will involve in the project and provide the necessary information.

The government definitely has a really important influence on location selection. However, the decisive power is still in the company's hands.

(L3) Mr. Kong

He is the manager of Wanda Group Company, which is mainly charged with the construction.

Usually, it is not decided by us to select the location while the government made the development plan which will consider the tourism resources and commercial activities as the criteria to select the site. We will seek out hotel brands with rich experience to manage.

Block 1 Experience

1. Have you/did you work(ed) in the hotel sector?

No, to be honest, I have not worked in the hotel industry. As you know, Wanda Group as a Chinese multinational conglomerate has one of its subsidiaries focusing on hotels and resorts. And they are also a hotel development and management company. We

belong to the real estate group under Wanda Commercial Group.

Block 2 Decision-making Process

Franchising, as one of the most prevalent entry modes, has resulted in the current situation that most of the giant hoteliers such as Marriot and Hilton does not own or just hold a small proportion of the hotel properties. It raises the significance of the land developers.

(L4) Mr. Chen

Block 1 Experience

No, I am engaged in the real estate industry, but I am very familiar with the hotel industry. If necessary, I can also find the relevant person who is in charge to contact you.

General Manager of the project, the project of the complex is open, including the hotel part.

Block 2 Decision-making Process

Franchising, as one of the most prevalent entry modes, has resulted in the current situation that most of the giant hoteliers such as Marriot and Hilton does not own or just hold a small proportion of the hotel properties. It raises the significance of the land developers.

MHG's worked with commercial management companies and land developers to enter the Chinese market. It was largely dependent on their (the hotel company) management capability to ensure profitability. And the hotel company is responsible for their own management.

Now there is a domestic model, management contract. For example, I am the boss of Hilton Hotel, which is equivalent to joining this mode. I joined your hotel group. All the management, you do the training, you do the software part of the hotel. The hardware part of the hotel, the corresponding environment, is the responsibility of the owner himself. This model is gaining popularity in China. Especially the international second-line brand hotel group. Of course, international first-tier brands, such as Marriott or Hilton, also have corresponding models.

Under the current situation in China, many local governments require local real estate

developers to match corresponding hotels in the construction process in order to increase local supporting infrastructure in the process of economic development. Therefore, the above model will be used to find the corresponding hotel group to operate.

In the current situation of China, many local governments increase the local supporting infrastructure by asking local real estate developers to match the corresponding hotels in the construction process during the economic development

4. Do different levels of government influence your decision on hotel locations? Reflect on your experience, do you think such influence is as important as those developers?

In fact, the government's requirements are one-way and relatively simple. For example, for your project, the government will give you 500 hectare of land, and according to the flow of people in the urban area, the real estate developer will be required to equip the corresponding star hotel, which may be four-star or five stars, which is an indicative task. Especially for fast-growing areas, like the second - and third-tier cities in the interior. Like Wanda Group in a number of domestic projects, after negotiations with the government, directed requirements Wanda Group equipped with star hotels. The government assigns star-rated hotels to enterprises (land developers), and enterprises need to find hotel brands willing to contract through business management companies and hotel management companies.

5. How about their position during the locational negotiation in management contract and marketing consortium?

One is to set the target, the other is the actual implementer. Can let the hotel really operate, or land open business. Because they need certain assets to carry out the upfront investment. For example, as a real estate developer, if MY strength is enough to allow, I will buy the whole.

There is another model. In tourist cities, like ordinary business hotels, property developers may sell the property rights of the hotel, equivalent to serviced apartments, but I (property developers) will rent all the hotel rooms back. Ordinary people are called on to invest, and a portion of their annual income is returned to investors. For example, Hainan Island, Dalian, Qingdao and other tourist cities generally have this pattern.

The government only sets hard targets, but the main responsibility and task lie with enterprises.

Block 3 Influential Factors

1. What are the decisive factors for the entry model of multinational hotel groups when they enter and expand?

According to my judgment, one is demand. Major cities, financial and business circles, those with more foreign guests and frequent business contacts, such as Shanghai, Beijing, Shenzhen and Guangzhou. The second is the large international tourist cities, such as Sanya, Xiamen, Zhuhai, Dalian, Qingdao. Including Hangzhou, of course, Hangzhou is also a business city. These are the main objectives of large multinational hotel groups. The reasons mainly include high tourism consumption, developed business economy, many multinational companies and high consumption level.

First-tier cities, the number of hotels has tended to be full. Because, in their early market development process, they have entered these first-tier cities. As a result, the number of new hotels is concentrated in China's second - and third-tier cities. For example, They are also lowering the brand level. For example, they set up Hilton Happy Friends Business Hotel, which is similar to domestic business hotels and of low grade, so as to enter new markets, such as Hefei.

There are fewer new increments in Beijing, Guangzhou and Shenzhen just because they are close to full.

2. What kind of influential factors will you consider as priorities when choosing the location?

Market factors.

The other is the government's request.

Multinational hotel groups cannot decide which hotel brand to choose after accepting the government's request. Therefore, multinational hotel groups are passive in many cases. However, there is no denying that those directly operating across hotel groups are still leading in terms of management and operation, training and guidance.

3. Will the hotel think about the price of land rent?

4. Will the hotel prefer to be near tourism attractions or central business district?

In places like Shenzhen, Guangzhou and Shanghai, their focus is still on business. The new cities, such as Hefei and Wuhan, are also based on economic development. Economic development is economic and trade exchanges, and economic and trade exchanges need personnel exchanges, personnel exchanges will involve accommodation. So these cities will be the focus for hotel groups.

Of course, travel also needs collocation. Sanya is the standard. Boao, which often hosts international conferences, also needs accommodation.

Domestic overall, or business-oriented.

5. Will the culture distance affect the process of selecting a location?

In my personal experience, I have stayed in various hotels. International travellers will have different requirements to stay in hotels than we do. For example, if an international person lives in a hotel, he will eat, drink and poop in the hotel. But the Chinese are different. Most of the additional services, such as laundry and catering, will not be involved. Therefore, if you target Chinese customers, the hotel's supporting restaurants will have operational difficulties. Like some high-end hotels in China, many Chinese guests will not eat in the hotel after checking in, but choose to eat out. But international travellers usually eat their meals inside the hotel.

When it comes to major developments, especially in southern China, feng shui-related issues are of particular concern to developers' bosses. The start date of the project also depends on the time. The hotel capping ceremony, as well as hotel decoration, will pay attention to the choice of auspicious days. Opening, not only the hotel industry, all walks of life in China will pay attention to, pay attention to the choice of time. So, at the time point, you're going to be very careful.

International hotel groups entering the Chinese market will certainly negotiate with hotel developers to understand the corresponding time nodes. Because Chinese people are not like foreign countries, the completion of the project can be opened at any time.

Facilities must also meet local customs. For example, in Muslim areas, there are some

taboos to be aware of. This includes not only the collocation of decoration but also the decoration of equipment.

Managers will also have additional requirements, including speech, behaviour and so on.

Local policies, too, need attention. It is necessary to focus on the local policies.

As for the rate of return, as a developer, there are two considerations, one is to rent, the other is to sell. If it's for sale, you're talking about the exact price. When it comes to renting, it's all about the rate of return. The size of the site rent is set by the developer. Hotels, of course, do the math and consider their own revenue. However, as far as I know, the return cycle of domestic hotel projects is about 10 to 12 years. That's why, right now, the big hotel companies don't want to own real estate.

6. Will the less susceptibility to political, economic and cultural risks improve the hotel's adaption of the new market?

Is very large. For example, political instability, such as Xinjiang riots, hotel business will be greatly affected. Political stability is a prerequisite.