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**Economic Strategy of the Hospitality Industry: Marketing
Channels and Franchising Perspective**

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“to my grandmother who is no longer with us”

Abstract

The subject of this analysis focuses on the economic strategy followed by the hospitality industry while referring to the marketing channels adopted by the hotel units. It is true, the pandemic created new issues and trends in travelers and the choices they will make from now on. Subsequently, the hotels must adapt to the new data and adopt the appropriate measures in order not to waste another valuable time for their development. In general, there are two different types of hotel companies: patrimonial companies and management companies. The former brings together the property of many hotels in their heritage and the latter are characterized by basing their business on managing or operating the hotels. From that point of view, it is referred that the contractual relationships are mainly instrumentalized through three types of agreement: a) the lease (commonly called rent), b) management and c) the franchise.

The strategy that will be followed by each hotel unit depends on many factors which are crucial when considering the existing parameters. In addition, the hotel industry is cyclical and sensitive to the behavior of the economy and to social and political circumstances and is highly sensitive to market conditions, since in periods of economic crisis, these expenditures do not can be easily reduced. Among other reasons, that happens because it is necessary to maintain quality standards to preserve the categorization of hotels in the market, in accordance with the sectoral technical standards that regulate the sector, although, one of the main impacts that of seasonality is due to the variability in the quality of the service.

Keywords

Leasing, franchise, contract management, hotel chain, marketing channels

Περίληψη

Το αντικείμενο αυτής της ανάλυσης εστιάζει στην οικονομική στρατηγική που ακολουθεί ο κλάδος της φιλοξενίας, ενώ αναφέρεται ακόμα στα κανάλια μάρκετινγκ που έχουν υιοθετηθεί από τις ξενοδοχειακές μονάδες. Είναι αλήθεια ότι η πανδημία δημιούργησε νέα δεδομένα και τάσεις στους ταξιδιώτες και τις επιλογές που θα κάνουν από τώρα και στο εξής. Ακόμα, τα ξενοδοχεία πρέπει να προσαρμοστούν στη νέα κατάσταση και να υιοθετήσουν τα κατάλληλα μέτρα για να μην χάνουν άλλο πολύτιμο χρόνο για την ανάπτυξή τους. Γενικά, υπάρχουν δύο διαφορετικοί τύποι ξενοδοχειακών εταιρειών: οι εταιρείες κληρονομιάς και οι εταιρείες διαχείρισης. Οι πρώτες συγκεντρώνουν την ιδιοκτησία πολλών ξενοδοχείων και οι δεύτερες βασίζουν την επιχείρησή τους στη διαχείριση ή τη λειτουργία των ξενοδοχείων.

Από αυτήν την άποψη, αναφέρεται ότι οι συμβατικές σχέσεις προσανατολίζονται κυρίως σε τρεις τύπους συμφωνιών: α) τη μίσθωση β) τη διαχείριση και γ) τη δικαιόχρηση. Η στρατηγική που θα ακολουθήσει κάθε ξενοδοχειακή μονάδα εξαρτάται από πολλούς παράγοντες που είναι ζωτικής σημασίας κατά την εξέταση των υφιστάμενων παραμέτρων. Επιπροσθέτως, η ξενοδοχειακή βιομηχανία είναι κυκλική και ευαίσθητη στη συμπεριφορά της οικονομίας και στις κοινωνικές και πολιτικές συνθήκες και είναι ιδιαίτερα ευαίσθητη στις συνθήκες της αγοράς, καθώς σε περιόδους οικονομικής κρίσης, αυτές οι δαπάνες δεν μπορούν να μειωθούν εύκολα. Μεταξύ άλλων λόγων, αυτό συμβαίνει επειδή είναι απαραίτητο να διατηρηθούν τα ποιοτικά πρότυπα για να διατηρηθεί η κατηγοριοποίηση των ξενοδοχείων στην αγορά, σύμφωνα με τα τομεακά τεχνικά πρότυπα που ρυθμίζουν τον ξενοδοχειακό τομέα, αν και, ένας από τους κύριους αντίκτυπους είναι αυτός της εποχικότητας, λόγω της μεταβλητότητας στην ποιότητα της υπηρεσίας.

Λέξεις – Κλειδιά

Μίσθωση, franchise, διαχείριση συμβολαίων, αλυσίδα ξενοδοχείων, κανάλια μάρκετινγκ

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Image 3. Smart Hotel

List of Definitions

Lease Agreements

All those lease agreements on the Real Estate Assets (or any part thereof) that are contributed to the Trust.

Franchisor

The Franchisor is the company that grants to another in exchange for direct or indirect financial consideration the right to exploit the franchise for the purpose of marketing specific types of products or services.

Franchisee

The Franchisee is the company to which the franchisor grants the right to operate the franchise for the purpose of marketing specific types of products and / or services.

Leasing Income

Means the income obtained from the granting of the use or enjoyment of the premises of the Real Estate Assets (or any part thereof) derived from the Leasing Contracts in accordance with the applicable legal provisions.

Management Contract

The portfolio management contract is the document by which an investor delegates the administration of his portfolio to a third party (the manager).

Smart Hotels

Hotels that have applied new technologies as a means of offering a complete service to their customers. In the hotel market, innovation and improvement of the customer experience are essential aspects, which is why more and more hotels or hotel chains are joining the use of new technologies.

Chapter 1. Introduction

1.1 The strategy of hotel units in the context of increasing competition

Strategy is a key word in the modern dictionary of a competitive business and is definitely one of the most interesting areas of business administration. Although it does not have many years of life, it has now evolved and become an integral part of a company's life cycle and its implementation requires discipline and systematic methods of analysis and design. On the other hand, the service industry is the largest part of the economy of developed countries in terms of both gross national product and employment. After all, the importance attached to services has increased and their continuous upgrading is what is required.

The cornerstone of economic development and absorption of a large part of the workforce of Greece is the Hospitality sector, a sector that shows a high capacity to deal with the financial consequences of systemic and non-crisis but also a high degree of response with rapid recovery of Hospitality in situations of external change. There are various factors that influence the choice of the operating model for hotel establishments (owner, lease, hotel management, franchise).

Changes in the hotel market and growing competitiveness in the sector have led to the need to resort to strategic alliances either with international or national chains or through the association of independent hoteliers. In either case, the objective of the integration is to access or operate under a consolidated brand, as an intangible asset that is increasingly important in the sale of this tourist service; benefit from a powerful reservation center, as well as marketing channels and strategies and, finally, reduce costs through the establishment of purchasing centers.

In essence, competitiveness in the hotel market is necessarily based on affiliation with a strong brand. In this situation, the alliance of a local hotel with an international chain will consequently result in the internationalization of the hotel through direct access to a specific and larger market: foreign customers. Thus, the hotel sector has undergone significant changes of orientation, adopting forms of management in which cooperation agreements between companies have special relevance and weight and which do not affect the property of the establishment.

For this reason, the chains currently choose to focus on the management business, disengaging themselves from the property and disinvesting in real estate. Hotel groups are imposing membership patterns due to the lower risk and investment that they demand compared to other models that require greater capital and involve greater risk. There is therefore a clear separation between ownership and hotel management, in such a way that owners who do not want to renounce direct management of their hotel establishment are organized into independent hotel chains; otherwise, the option is to assign said function to chains focused on hotel management.

The latest sector surveys show a change in the formula of the hotel industry in our country. Although it is true that the majority formula continues to be hotel leasing, the crisis has modified the development of this sector, influenced by the lack of liquidity and the depreciation of assets. And although the franchise implies direct management by the franchisee, it is necessary to clarify that, above all, this function must be performed in accordance with the guidelines and the business model of the franchisor (whose assignment is the object of the contract), who exercises thus, certain control of the franchised establishment attached to the chain (Tsai, 2009)

Process management is the way to manage the entire organization based on processes, understanding these as a sequence of activities aimed at generating added value on an input to achieve a result, and an output that in turn satisfies customer requirements. Organizations must be oriented towards a series of key processes that allow, by transforming the customer's need, to obtain a certain level of satisfaction of their needs. The clients, the results and the processes are united in an iron triangle (you cannot take one of them seriously without taking into account the other two).

The ability to deliver the results that the customer expects depends, in large part, on how well the processes have been designed and managed. The processes are the way to the results, and therefore, to the success of the client's economy.

Process is a word that is used a lot in the business world, but in a wrong way most of the time. Put more clearly, processes are what create the results that the company delivers to its customers. A process is not just one activity, but a series of activities.

Value is created by the totality of the process in which all tasks are merged in a systematic way to achieve a specific and clear purpose. The activities of the process are not isolated or left to chance, but are organized and related to each other. The realization process must be carried out in an established sequence so that the result is the desired one. In addition to that all activities must be directed together towards a common objective (Yeung & Lau, 2005, pp. 615-619).

Furthermore, over the last decade, the hotel industry has undergone dramatic changes, particularly in the hotel channel distribution area. Big brands, online travel agencies (OTAs), global distribution systems (GDS), and metasearch websites are vying for customer service, and all of this is hurting hotel margins. For hotels to navigate this changing distribution paradigm and optimize their channel mix, they must thoroughly analyse the costs and benefits of those channels: direct, indirect, online, and offline. By analysing these channels, hotels can develop a holistic strategy that generates revenues that are sustainable in the future.

1.1.1 Methodology of the Study

The methodology of the Dissertation is based on the review of the existing literature regarding the development of hotel chains in the history of the hospitality industry and presents related management models of hotel units. In addition, it cites case studies as examples of application of the above models. The present analysis has the following structure:

The first part presents the new trends that will occupy the hotel industry in the coming period and what are the general socio-economic factors that influenced the hospitality industry during the pandemic. The pandemic is a factor that tested the strength of the industry but also brought to light the shortcomings that seem to have existed.

Then an introduction is made to the development of the tourism industry and then the hotel operating models of the industry are analysed. In addition, an analysis is made of the development of hotel units historically and then are analyzed the distribution channels of hotels as they play a critical role in developing a successful hotel distribution strategy. At the end, two hotel chains are presented, which are either in a franchise regime or in a lease regime.

1.1.2 Overview of the subject

The purpose of this study is to analyze the strategy of hotel units through marketing channels and the various management models that each of them can choose depending on the needs and means.

1.2 Literature Review Background

1.2.1 Introduction

The hotel industry has become the bearer of economic effects both nationally and internationally, within the tourism sector of many countries. The purchase of hotel services generates an impact on the economic growth of the States, due to the foreign exchange generated through inbound tourism. The economic importance of this industry is expressed in productivity as an indicator of the generation of wealth per person employed, the average salary or the average cost of the labor factor, the personnel expense rate or the participation of the remuneration of employment in the generation of wealth and the rate of value added.

On the other hand, studies on the economic importance of the hotel industry have considered that the profitability obtained from these businesses is conditioned by the type of investments and the competitive business management that is developed. Regarding the social importance of this industry, it is pointed out that, as the economies are stable, there is automatically better prospects for inbound tourism. The evolution of the hotel sector, its capacity for growth and job creation are strongly linked to the development of general economic activity that is, it depends on the evolution of the economic cycle and, consequently, the extent to which economic activity is in the ascending phase of the cycle and people's incomes and their spending capacity grow.

This translates into a growing demand for leisure activities, which often include the hotel business. Therefore, a favorable social situation has repercussions on the sustainability and economic growth of hotel companies, which contributes to private investment and therefore to employment, affecting the quality of life of society as a whole (Aznar & Bagur, 2016).

In general, tourist activities have a direct impact on the economic growth of the regions, as stated by several studies as they promote job creation, not only directly in the sector itself but also in various support and resource management sectors; stimulates profitable national industries.

Hotel industries can choose between several models for management. First comes the Management Contract. The term refers to the procedures that allow a Contracting Authority to confirm that the Contractor is carrying out the Project in accordance with the terms of the Contract, providing the services / supplying the products or constructing public works specified in the tender documents, in time and in the quantity specified in the Contract but also with the quality and costs that are also specified in it. The Management of the Contract in addition to the management of receipts includes administrative work and most importantly the construction and maintenance of a good working relationship with the Contractor (IACCM, n.d.).

Secondly, is Franchising, i.e. a "collaboration" between an independent person (the franchisee) and a company (the franchisor), which wants to expand its activities. Cooperation is governed by a contract. This gives the franchisee the right to operate it using the franchisor's brand / brand, according to the business scheme or "design". All aspects of the franchisee's business are strictly controlled including image, products or services, systems, operation and management model.

This method of cooperation is commonly known as business format franchising (franchise, n.d.). Finally, a lease is a relationship between two contractual parties through which an assignment of a good or service occurs for a specified period of time. In return, the party that takes advantage of this possession must make a financial consideration (Stickney & Wiley, p. 791).

Hotels and other lodging facilities, restaurants and other food services, transportation systems, handicrafts and guide services; it also promotes improvements in transport and other basic community infrastructures; in such a way that it manages to generate linkages with the different economic sectors (Rosales & Gómez, 2017).

In the specific case of the hotel industry, if it is considered as a business unit and the result of an undertaking, the relationship with economic growth is direct and positive this incidence includes primary costs and benefits and secondary. The former constitute visitor

expenses that are converted into business income which, in turn, are used to pay wages and salaries, capital returns and taxes, which are the direct benefits of tourism, and the secondary ones, which are summarized by the spend multiplier, which is the arithmetic rate of the total impact of the visitor's initial spend measured in sales, personal and capital income or employment.

Other studies indicate that the impact of the hotel industry is measured in the increase in foreign exchange, an increase in tax collection and, therefore, an increase in public sector income and a higher level of economic activity due to the effects of the spending multiplier. Tourism. When tourist activity grows, visitors increase, tourist expenses increase, leading to an increase in GDP and economic growth of the destination (Rosales & Gómez, 2017).

1.2.2 Introduction International trends of the hotel industry

There is no doubt that the year 2020 has been one of the most upsetting of society in modern history. Changes to many people's lives, work, and travels changed overnight, and they likely won't be the same for a long time. This year's impact on hospitality trends will extend well beyond 2021 and we know a lot is going to change. Based on our daily conversations with property owners, managers, and associates, we imagine 2021 will continue to be different, but we hope to see a gradual return to normalcy (Hollander, 2021).

Firstly, the return to travel will be gradual, but will accelerate in the second half of 2021. The pandemic continues to negatively impact the industry and the world. Vaccines are on the way, so it is expected the travel to return to some degree of normality in the second half of next year.

A McKinsey & Company report argues that air travel demand will not return to 2019 levels until 2024 and that accommodation demand will not be as it was before COVID-19 until 2023. Of course, not all types of trips will return at the same time. Leisure and tourism travel will return first and that most people will continue to travel in small groups, probably with those in quarantine.

The collective feeling is that the whole world wants to travel by land and air. While local travel has increased, we predict that by the middle of 2021, international and long-distance travel will increase dramatically.

As the world begins to remove restrictions and travel returns, the hospitality industry will continue to look different, as it will have to continue to modify its operations to include the "new normal." Most of the people around the world have experienced continually changing conditions, a trend that is unlikely to change next year. Contactless reservations, hotel rooms as workspaces, reduced interaction between staff and guests, and modified community spaces are just a few trends that will surely not change. Property owners and managers who demonstrate resilience and who can find effective solutions to restrictions will continue to take reservations and welcome guests (Hollander, 2021).

Secondly, the way consumers book travel will continue to change, as will the way money is used. The prevailing uncertainty and poor experiences with booking channels at the start of the pandemic make guests less willing to pay upfront. But travelers are more than likely willing to pay for more flexibility and investment protection. Plans can change from one moment to the next and most are unwilling to risk their money.

Online travel agencies lost a good part of their audience due to canceled reservations. We believe this will help generate more direct bookings. Property owners will also need to be more cautious with cash deposits and save money, rather than spending it before guests arrive. It is believed that booking terms will be shortened well into 2021. Consumers will continue to book at the last minute and this trend will change from months to days. Local attractions that offer outdoor activities, such as national parks and other adventures that include social distancing by nature (pun intended) will increase dramatically.

Thirdly, online travel agencies and other booking channels have had a disastrous year. The World Tourism Organization maintains that this year there was a decrease from 58% to 78% in international tourism. The severe and sudden decline in travel has forced even the most prosperous companies to cut back and focus on their strengths. For example, Airbnb laid off nearly 25% of its employees and eliminated operations that did not directly apply to its lodging business, including transportation, hotels and luxury residences. Expedia has focused on its main OTAs, reducing spending on marketing and staffing.

These changes benefit consumers and property owners, because less competition reduces the cost of marketing. With fewer players in the big picture, OTAs are targeting specific channels, driving consumers to fewer websites. In 2021, travel and hospitality trends will require hotels and lodgings to use their creativity and resilience to overcome a series of

obstacles and challenges. Properties that manage to attract guests outside of their target market and create new experiences will do the best, while the industry returns to normal (Gaggioli, 2020).

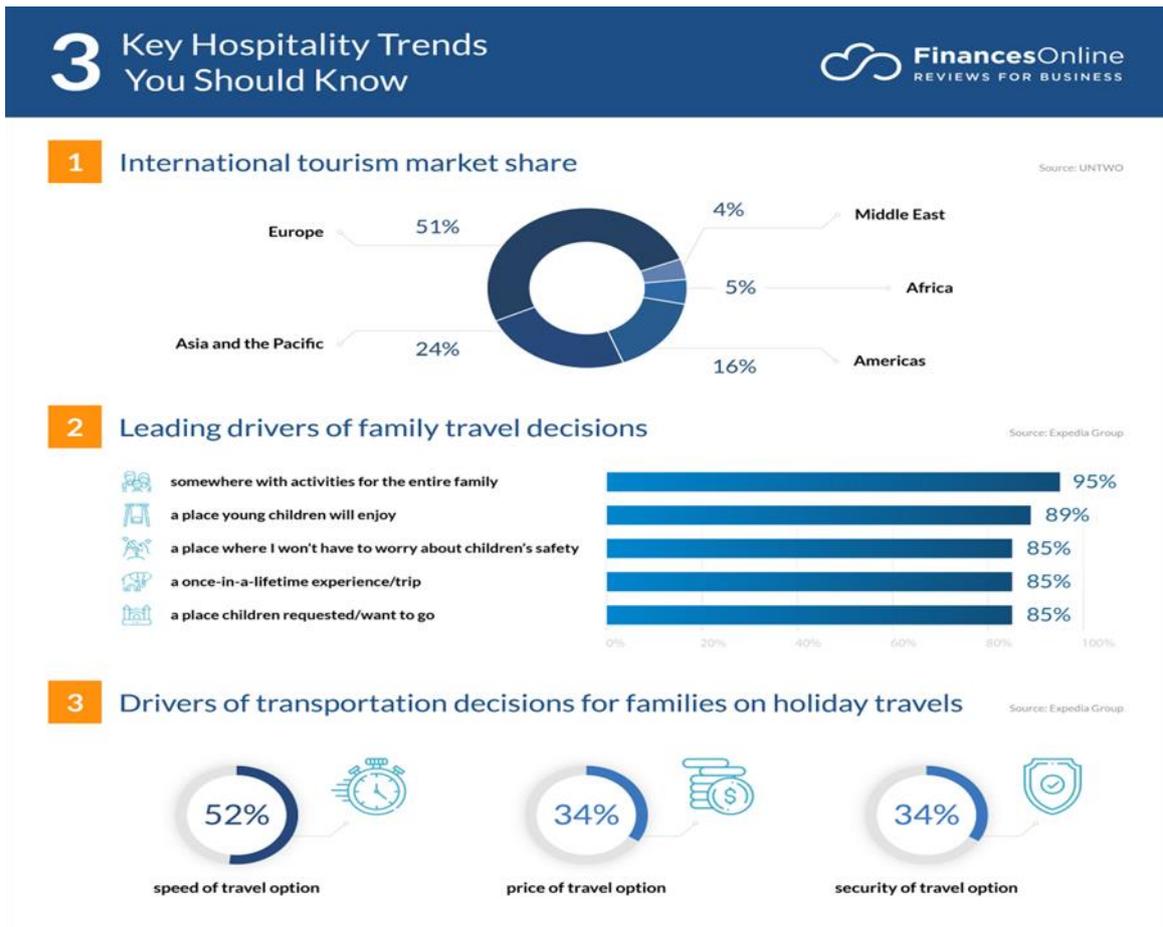


Image1. Key Hospitality trends

Source:Finanes Online

1.2.3 Socioeconomic factors that affected hotel chains during the pandemics

The global disorder caused by the COVID-19 pandemic is unprecedented. In the past, only local phenomena, such as hurricanes, could lead to long-term business closures. Now, both global and regional chains, as well as independent managers, are facing severe pressures on cash flows. The first half of 2020 saw a sharp decline in occupancy rates worldwide.

The challenges posed by COVID-19 affect almost every part of a hotel's operations, from room levels and staffing plans to the supply of food and beverages. The pandemic has the potential to have far-reaching implications for the industry, in addition to lifting travel restrictions and regional lockdowns. Having analyzed in depth the different effects of the pandemic on the sectors of the economy, I believe that your priorities will depend on the size and structure of your business, as well as on your current financial position and long-term strategy.

The immediate challenge for hotel owners and managers was cash flow management and forecasting. Companies with good capitalization with sound balance sheets have a distinct advantage in terms of withstanding the sharp decline in revenue and a possible long-term period of declining demand. For hotel managers and owners, the emphasis will be on increasing liquidity and reducing cash needs. This will require a thorough examination of all expenditure prior to COVID-19.

Furthermore, many hotel businesses have been able to significantly reduce their labor costs through reduced hours, or by using government support to license parts of their staff. This liquidity facility has been extremely beneficial for a large percentage of companies in the industry, but it also raises many potential issues (Davahli, 2020).

With fewer executives in all parts of the business, internal control issues should be a priority for management teams. The hierarchy of responsibilities may be different, but it is vital that internal risk approval and management processes remain effective. Evidence of approvals may look different from that of the pre-COVID-19 period due to online chats and commentary as a result of increasing levels of remote work.

With revenue and final cash flows declining for both owners and managers, it is important for businesses to quickly identify those items where available funds may not be sufficient to meet liabilities. For example, the start of timely and transparent negotiations may be

necessary to find constructive solutions to service outstanding debt obligations or to restructure other expenditures that may be incurred at levels that no longer correspond to future levels of operation. company.

Many lenders accept late payments and may be open to further negotiation of terms. While survival is the primary concern of many in the hotel industry, it is also important to prepare in the medium and long term. Once travel restrictions and restraints begin to be lifted, hotels may be forced to operate with reduced occupancy due to social distance. These reduced revenues could be further affected by the increased costs associated with cleaning costs and other activities. Using the return on investment (ROI) to accurately determine how many rooms are needed to stay in operation should support any strategy.

The value chain of the hotel industry is largely linked to other industries, as well as to domestic and global economic and social activity. Many of the factors that affect the hotel industry are driven by factors other than the owner, the licensor or the control of the manager. This complexity was highlighted through the impact of COVID-19 (Davahli, 2020, pp. 1-2).

1.2.4 Management Contracts

A company management contract is a contract that is not regulated in most legal orders by which a company, having special knowledge and experience (manager, donor of management), undertakes in return to manage all or part of the business of the counterparty (recipient of management, contracting undertaking) in the name, on behalf of and at the risk of the latter.

With this contract the recipient of management entrusts the management of his business, in whole or in part, to an experienced, reputable and knowledgeable manager, in order to increase the efficiency of his business through knowledge, experience, business know-how. and his business reputation. The contractual assignment of the management of the company to a manager can be agreed for a definite or indefinite period of time and is done for a fee. In this way there is a split between the ownership of the business and its exploitation.

Thus, the managing company - manager undertakes to carry out management and management operations of the contracting company, which tend to the realization of its commercial purpose.

Theoretically it can concern the management of any business, individual or corporate. However, in practice, as a rule, the parties are companies, formations of company law. The management contract, as a bilateral contract, creates obligations for mutual benefits between the parties, i.e. the contracting company and the manager. All or almost all of the corporate governance powers of a company (recipient, contractor) must be outsourced to a third party (donor, manager) in return. The provision of the administrator consists in the assumption and execution of the administration and management of the recipient's business.

Other ancillary obligations such as transfer of know-how, granting of licenses, staff training, etc. usually accompany the above main benefit, but are not conceptually an integral part of the contract. Regarding the above main benefit of the donor, it is briefly stated that this is a case foreign to the same interests of the commander, since the recipient still has the business risk of the company. As for the recipient, his main obligation is the payment of the agreed fee to the manager, at regular intervals, since it is a permanent legal relationship (Keup, 2000). There are many companies that offer the choice of a fully managed contract based on international practice for absent owners, institutional investors and / or those who do not wish to be directly involved in hotel business as active owners.

With the management contract the hotel owner assigns the full responsibility of the management and administration of the unit to the management company. The two parties usually agree on an annual business plan and budget and beyond that the management company is responsible for each part of the hotel business (operation, all agreements with third parties, suppliers, quality assurance, staff, financial control, accounting, management cash flows, etc.). Owners can greatly benefit from the experience and know-how of a management company in order to increase the efficiency and value of their business (Keup, 2000).

1.2.5 Franchising

The special type of agreement by which an undertaking (Franchisor) grants to another undertaking (Franchisee), in direct or indirect financial consideration, the right to exercise a set of intellectual or industrial property rights for the purpose of producing or marketing certain types of products and / or services is called franchising or franchising.

All rights reserved usually relate to trademarks, distinctive titles, designs and standards, copyrights, know-how or patents. It is very important to realize that Franchisor and Franchisee belong to the same group and are not conflicting parties.

The two parties work for a common goal and mutual benefit, where stakeholder relations play a key role in achieving a common good business outcome. It is a win-win relationship in which both partners actually win. The franchisee with the capital he contributes secures the location, construction or configuration and equipment of the store and then develops the unit under the guidance of the licensor.

The franchisor supplies the products or services and provides the franchisee with the know-how, business standards, initial training and ongoing support. In return for the know-how provided, franchisee often pays the franchisor an initial amount to become a member of the Franchise Network. This initial entry fee covers the granting of the license to use the mark, the support during the creation phase of the store, the selection and determination of the composition of the original merchandise, the support during the selection of the store, the transfer of all of know-how in terms of sales and customer service, the initial notification of the new store, the training of the executives of the new company, notarial and other expenses (Barkoff, 2005).

The concept of franchise in the tourism industry is known mainly to companies that are interested in acquiring and operating hotel units but may come from a different industry, such as many constructions. Acquiring a franchise in the hotel industry is more prevalent in the US than in Europe and is more related to opening up new markets. Franchising in other words, it is the licensing relationship between companies, with the aim of using the brand, services or products of one of them, for a fee.

The parts of such cooperation consist of the licensor, who provides the licensing and the licensee, to whom this licensing is granted. It is a relationship that is described and sealed by the franchise contract. This interpretation applies to all businesses, including hotels. As important as it is for a brand to expand into new markets through the franchise, so it is for the franchisee that will bring the brand. One of the main reasons that one chooses the franchising solution, is because of the network of customers that can be offered from all over the world. In addition, contact with agencies, the existence of various loyalty programs and online distribution channels play an essential role.

Finally, popular and flagship destinations are preferred by the biggest hotel brands and the deal can have a stronger basis for the hotelier who wants a franchise. Many brands in order to become competitive have created many ways for these fees to be eliminated through incentives for higher revenue. The European market is comparatively more difficult to develop a large representation of different brands through franchising, due to the fact that most are privately owned and want to continue to be so.

Choosing the right brand is crucial and requires extensive research and careful study as with the signing of the contract there are many commitments, full transparency and accountability in the hotel brand. In addition there are many costs but over time it turns out that the majority of these franchises are more profitable than most privately owned (Altinay L. , 2007, pp. 397-400).

1.2.6 Leasing

Leasing is a flexible and dynamic financial tool that can replace any form of lending, providing a way out and security for all types of companies in general and prospective franchisees in particular. More specifically, Leasing is a modern form of financing for the acquisition of professional equipment with significant advantages over other forms of financing, which finds excellent application in the field of franchising. Given that each company, depending on the specifics and the object of its work can use leasing as a financing tool, the leasing process follows a specific course.

The licensee, having chosen the chain he wishes to join, selects the equipment and suppliers of his choice. The following is the sending to the credit officer of the cooperating leasing company of those data that will help in the evaluation of the franchisee, together with the preferences (offers), in order to make a first assessment of the examined financing. In the usual case the franchisee is a young entrepreneur, only those details are sent that offer some information about him.

The collection of the aforementioned data and their evaluation is followed by the franchisee's first contact with the leasing company and the competent credit officer, in order to evaluate the investment proposal. At this point, special emphasis is given by the leasing company to the entire personality of the franchisee as it is revealed in the personal interview

that always precedes it, like business maturity, dynamism, belief in the success of the project, the existence of conservative forecasts, etc.

The leasing company, in addition to the franchisee's creditworthiness, evaluates the franchisor (licensee), the object of its activity, its network, its development dynamics, etc., as well as the utilization of an already well-organized and successful brand name through the Ongoing guidance, supervision and control of the franchisor at all levels, is a powerful factor for the leasing company that minimizes its risk.

In the process, the two parties negotiate the terms of cooperation the amount of financing, duration of financial lease, currency clause, interest rate / rent, possible guarantees if deemed necessary, recognition of seasonality in rents. When the commonly accepted terms of cooperation are agreed, the account officer of the leasing company prepares his report, which depending on the amount of the proposed financing is submitted for approval to the competent committee.

The contract will describe in detail all the terms that will govern the leasing relationship. This is followed by the payment of the supplier / s by the leasing company, which is invoiced, after the franchisee has first certified in writing and responsibly the leasing company that it has checked and received the agreed equipment according to the specifications set by the leasing company supplier of his choice.

From the day the leasing company disburses, the franchisee pays his rent to the leasing company every month or quarter - as agreed - a payment which comes from the profits generated by the use of the equipment provided by the leasing company.

Given the positively defined climate and the consequent gradual de-escalation of interest rates, but mainly the stabilization of the economic environment, companies will feel safe and plan their investments, something that is expected to directly benefit both the franchising and leasing areas (Georgiadis, 1995).

1.2.7 The Development of Hotels and Hotel Chains in the History of Hospitality Industry

Hotels are interesting businesses, both for the financial results they can offer and for the way of life they provide to entrepreneurs, i.e. life in nature for holiday hotels and significant social participation for the urban. The establishment of a hotel unit, however, must be done with great care and therefore it is necessary to precede a reliable feasibility study (Lattin, 1977).

Hotel classification is the determination of whether a particular hotel and rooms meet criteria or service standards. The beginning of the hotel classification dates back to the days when there were very few reputable institutions. The classification was intended to provide safe and quality accommodation and food services for travellers. For hotels, ranking is a way to provide the consumer with information about the quality of services, infrastructure and other business capabilities, thus helping potential customers and proving their commitment to them. For consumers, classification means greater consistency in hotel evaluation.

Hosting companies are classified according to various criteria. The most common among them are the level of comfort, the capacity of the silent fund, the functional purpose, the location, the duration of work, the provision of meals, the duration of stay, the level of prices, the form of ownership. There are currently more than 30 hotel classification systems in the world and each country has its own national standards. National classification systems, supported by state or national hotel associations through national standards and legalized rules for the certification of hotel services, relate mainly to the quantitative characteristics of the material base, the completeness of the services, the level and quality of the hotel services.

The hospitality industry is a collection of companies that provide various services for the reception and service of visitors. This definition is very close to the concept of modern hotel complexes, as they provide not only accommodation services (accommodation), but also many different related services. Hotels play a crucial role in the tourism development of countries. To some extent, their importance is self-evident, since if there are no hotels, then it is not possible to promote hospitality.

But hotels do not only serve tourists. They also serve professionals, students, traveling patients, soldiers, etc. Although hotels are not limited to serving tourists, for the most part their economic efficiency depends on tourist traffic. Hotels accommodate, in addition to tourists, many categories of people, such as people who use the hotel as their permanent residence.

Hotel businesses are a prerequisite for the existence of tourism and for the economic benefits that result from it at the national level. However, hotels also contribute significantly to the development of other sectors of the national economy (Laluidis, 2014). Hotels are big customers in many craft and industrial enterprises, from which furniture, utensils, clothing, cleaning materials, stationery, food, drinks, etc. are supplied. In this way they contribute to the industrial development of the country. Craft and industrial products are often traded by commercial enterprises.

Many commercial enterprises have hotels as their main customers, which systematically supply consumables, oil, etc. The transport industry benefits significantly from the movement of tourists, from permanent residence in the tourist facility, as well as from other travel needs of tourists, such as excursions. A large number of people are employed in hotel companies. More than 10,000 hotels in Greece employ a huge number of employees, offering work with satisfactory salaries.

The work that hotels offer has the advantage of decentralization, because hotels are scattered all over the country and many of them are located in remote areas. Hotels, in addition to their contribution to reducing unemployment, play an important role in the regional development of the economy and in the avoidance of astyphilia and immigration. Working in them, however, has the disadvantage of seasonality, because most leisure hotels close during the winter months (Karatasios, 1981).

Tourist areas are developed through various processes. After the war, many areas with significant natural resources found themselves in military or economic dependence on allied countries, such as England or France. Many of these areas, when the wave of mass tourism spread, were already known and received the first tourist groups of the '50s. These areas continue today to be famous for their tourist attractions. Such is for example Rhodes. Some areas are initially known simply for their natural or cultural resources.

The hotel infrastructure in them has as its initial form hotels, which guarantee the quality assurance of the basic needs.

Then comes the phenomenon of surprise, with small and makeshift low-cost accommodation. Some areas are discovered by passing tourists, who advertise them in their circle. Over time, there is a growing interest of low-income tourists, whose movement pushes the state to develop general infrastructure, such as roads, post office, etc., while locals rent their homes in tourists. The demand of the area attracts businessmen, who initially set up small businesses selling food, beverages, basic necessities, etc., while then businessmen appear who set up hotel infrastructure companies, i.e. hotels, tourist offices, car rental offices, etc.

The areas in demand are easily sold in the hotel markets. This leads hoteliers and other hotel producers to keep their pricing high. Tourist distributors do not have the opportunity to obtain a satisfactory rate of supply through their mediation in these areas. But when, after some time and for various reasons, these areas lose the reasons for the high demand, then their fullness depends mainly on the promotion of tourism wholesalers, who now impose their conditions and improve the percentage of their supply.

The hotel traffic of an area in recent years shows its future. An area always starts with low hotel traffic, which is constantly increasing, until at some point fluctuations or recessions begin.

The price of land is particularly high in areas where demand is soaring and investment in these areas is generally costly. On the other hand, investments in areas in recession are risky. The investments that have the best chances in the long run are in developing areas.

In recent decades, the hotel industry in Europe has been growing steadily. As the demand for hotel accommodation grows, many hoteliers turn to large companies and the efforts they make to increase their market share. In the USA, franchising has been on the one hand the tool for the growth of hotel businesses, on the other hand it has gained a reputation in the market, with the exception of large institutional investors. In Europe, which is known for the dominance of independent family-run hotels, hotel franchising is not as widespread as in the US, nor is it widely recognized by the financial community.

However, some of the most well-known companies in the hotel industry have been active in franchising in recent years and are expected to develop it even further, in order to expand their presence in the most important destinations in Europe. The first hotel franchise system was launched in 1954 in the USA by Holiday Inn. Since then, franchising has grown around the world. The franchising agreement is concluded between a hotel business or chain (licensor or donor) and third parties (franchisees or recipients).

The donor has a successful organizational infrastructure and visibility, and recipients are given the right to use the donor's name, insignia and operating systems for a number of years for a fee. The recipient still owns or manages the hotel, but must guarantee the donor that his hotel will display the features of the chain and comply with its operational specifications and organizational principles (Karatasios, 1981).

The means of transportation also depends on the type of expected customer. In hotel Greece the main means of transport for tourists is the plane. So the long distance of a hotel business from the nearest airport is a problem. The road network around the area gives the opportunity for sightseeing. Its quality must be added to the advantages of the area. Excursions, however, are also offered by small boats and boats, which make short trips to sightseeing beaches, in many coastal areas.

The awareness of the residents about the cleanliness and the efficiency of the cleaning staff of the local government can certainly be added to the advantages of an area. The cleanliness of the beach plays a huge role in the coastal areas. The final development of a business may depend on the establishment of other similar neighbouring companies, which sell complementary products.

A vegetable shop needs a bakery and a grocery store next to it, to attract housewives with their complementary products. A hotel needs leisure centers, restaurants, car and motorcycle rental offices, sports activities such as water skiing and windsurfing, tour desks, etc. These companies, respectively, need many hotels near them, from which they will draw their customers.

A tourist area is therefore developing depending on the increase of tourism entrepreneurship in similar companies and the variety of tourist products it offers. The tourist area depends directly on the climate, which plays an important role in the quality of the tourist product and the size of the hotel season.

The morphology of the soil is also of particular importance. Architects with imagination and ingenuity, of course, can take advantage of land defects and turn them into assets.

Flat plots are considered privileged over sloping ones. The political and military stability of the region are positive elements for every businessman. The government's interest in hotel development creates an additional business security climate. The purchase value of the land on which a hotel business is to be located must be proportional to the annual income that the business can generate when operating. In case of a wrong prediction for the development of an area, cheap land can prove to be expensive, while, conversely, the high price of land can prove to be reasonable, if the company makes satisfactory profits.

A modest policy leads to the purchase of land at a moderate price, located in a moderately developed hotel area. In practice, it is proving that the continuous global tourism development leads to a continuous increase in the demand of the developing regions.

The physical characteristics of the land can increase the cost of building a hotel business. Thus, areas that are dry and flat are considered advantageous because the cost of excavation is low. Every feature of the land, such as steep slopes, rocks above or below ground or marshy land, increases construction costs and requires greater investment. Hotel business owners, however, must make the most of all the potential of the natural environment (Wood, 1994).

1.2.8 International Hotel Chains and Organizations

The hotel chain (network) is an association of hotels with the same level of service, identical set of services, similar design and approach to working with the customer. As a rule, a hotel can give an idea of others included in this chain. Thus, the hotels included in the chain are in a single submission, complying with a unified system of standard materials and technical bases and services. Chains can include hotels in one or more countries, i.e. be national or international. All hotels in the chains are invited and signed. The economic growth in various industries and the increase of the living standard in the developed countries of the world have led to frequent movements of businessmen and tourists in different parts of the world.

People are constantly developing the process of the emergence of new concepts of hotel business and the modernization of the old. One of the positive trends of the last decades is to combine hotels in the chain. Significant investments in hotel information, new construction, introduction of modern technologies, forms of service were sent to the hotel industry. Hosting chains are important for the development of the hosting industry. They allow you to promote high standards for high standards of service in the global marketplace and also help support tourism hotel services.

Hotel chains contribute to the spread and significant increase in the level of organization of production and maintenance of tourists, creating a specific image of a hotel service, the meeting that in another country, the tourist feels almost at home, a familiar and comfortable environment. The role of international chain hotels is undoubtedly very important for tourism, as well as other industries and the economy as a whole. The hotel business, which is one of the types of economic activity, directly or indirectly creates jobs and is an important means of replenishing the treasure from foreign currency.

The development and widespread dissemination of international hotel chains is due to the inconsistency between the level of services provided to customers and their requests. Thus, the first international hotel chain "Hilton" was obliged to create the American airline "Pan Amerikan". While flying to Latin America, the company discovered that there are no hotels at the level at which American businessmen used them.

An idea arose for the construction of hotels in these countries with the same level of relevant class services. For example, the Hilton Hotel in Argentina for service was no different from the Hilton Hotel in New York. It is strange that most "Hilton" hotels were built with the money of local businessmen and Pan Amerikan only provided consulting and management services. Subsequently, the Hilton chain repeatedly resold various different economic groups. The growth of the American hotel chain "Marriott International" was found in 1957, when John Mariott acquired his first hotel "Twin Bridges Marriott Motor Hotel", located in Arlington (Virginia). Today it is one of the largest transnational corporations in the world. According to the company itself, every fourth tourist in America stops at the Marriott International Hotels (O'Neill, 2006).

Other businesses (approximately 2.5 thousand hotels) are located in 90 countries around the world. As the hotel chains have undergone significant changes, they are expressed in differences in the size of the chains and the complexity of their structures.

Particularly rapid chain development took place in the 1950s and 1960s. During this period, the world's largest hotel chains have started successfully. Currently, hotel chains are represented in many countries around the world.

Currently, the development of the global hotel industry is characterized by the completion of concentration and management. Almost all hotel chains in the world, regardless of their rating, which are under constant pressure from a tough competitive race, are looking for opportunities to increase their potential. All the top hotel associations have their own standards for the equipment of the hotel premises, as well as the standards of technology and services.

In order to ensure the compliance of oriented standards and equipment standards, hotels create not only strong central supply organizations, but also specialized companies for the production and repair of equipment and furniture. This is something that all major hotel associations can afford. Most hotel chains are a form of numerical expansion. Their desire to add other hotels to their portfolio lies in their goal of internationalization. Hotels, owners and managers find joining the chains an opportunity to gain a clientele, and further knowledge of unit management. The decision is usually made at the same time.

The hotel decides whether it wants to join the chain and the hotel chain decides whether it will benefit strategically to acquire the respective unit. A hotel that is a member of a chain is managed and owned by the same owner or company that has the other hotels of the same brand. The hotel chain is a company that has under its umbrella accommodation which are scattered around the world or by place but follow the same management, promotion and marketing strategies. Globally, over one third of the total number of available beds is controlled by three hundred hotel chains.

Of which 3.9 million beds belong to the top ten international chains. The chains are known for their development network in relation to independent hotels. Fortunately for individuals, the internet invasion of the last decade has narrowed the gap considerably, giving everyone promotion and advertising opportunities.

Still, of course, independent hotels continue to pay higher commissions to agencies. In terms of development issues, the hotel chain decides based on its desire to become larger and international. In short, this is a strategic location decision.

Then follows the decision depending on the method of integration, whether there will be a full acquisition or whether it will participate partially with part of the total funds. Finally, the chain decides which independent hotel is the best choice. The decision of the hoteliers is largely based on financial data. If the hotel does not perform as it should then the need for change is more intense as joining a hotel chain may mean a better position in the market. It is therefore a decision of strategic importance.

In the hunt for survival, independent hotels face a wealth of risks in many ways: a growing number of accommodations (such as Airbnb), reduced customer loyalty due to the existence of many possible brands, and a split of customers between different brands and intermediaries. The franchise is considered as one of the most effective, economical and safe ways to create a hotel value to the customer.

Hotels that are affiliated with a chain can use the financial resources of that chain and not risk their own funds to grow, create economies of scale and customer loyalty. As a result, many hotels have adopted franchising as an expansion strategy. Franchising, the assignment of rights to use a name, symbol and systems, involves the payment of an agreed amount, usually on a monthly basis (Altinay L. &., 2003, pp. 274-280).

Previous research has shown that franchising can potentially have a negative impact on the quality of the hotel chain. Quality could be negatively correlated with the percentage of hotel franchises in a chain. Although of course there are quality indicators and other assurance systems it is extremely difficult for franchisors to closely monitor the progress of each hotel. Therefore, sometimes hotels are prone to deviate from the agreed common course. The issue that arises is that each unit and its decisions affect the overall picture of the chain and can destroy its market position (O'Neill, 2006).

1.2.9 Distribution Channels for Hotels

Marketing is a discipline that has rapidly evolved and expanded the horizons of administrative knowledge in order to propose new techniques and methodologies that allow the company to get closer and closer to its target market. Behind this idea, the entrepreneur seeks to use different strategic marketing processes so that the company remains sustainable or grows.

At present, it seems clear that the marketing of services, which encompasses the tourism sector, has clearly different foundations and objectives from those of product marketing that has traditionally been used in the consumer goods industry. The hotel sector has undergone changes over time in its distribution channels and the way in which it wants to reach the final consumer. Before the 80s in the hotel sector, tourist agents were managed in a traditional way in which the consumer looked for a travel agency and it had already structured plans with agreements in airlines, hotels, car rental or transportation.

And around the 90's you can notice a change to the incorporation of technologies and the Internet. This change can be evidenced in the distribution channels and in consumer behaviour, since it broadens its preferences by being flexible with its search, because it begins to be a little more independent and gives its confidence not only to the traditional agency if not that also gives the opportunity to information technologies (otas).

The consumer values that new technologies show them the market prices and enter a comparative decision when choosing their best option according to their budget and taste. Also, that he can carry out all this process from his home and pay for it from there, at the same time he can see images of the structure and architecture of the hotel. As channels become more nuanced and complex, access to accurate data plays a critical role in developing a successful hotel distribution strategy. A key goal is not simply to capture more data, but to use key data and performance metrics to gain insights that go beyond simple demographics and basic guest targeting (Schegg, 2013, pp. 50-51).

The main data sets for channel optimization include cheap and competitive markets and customer-centric information such as origin, website navigation paths, visitor profiles, visitor tracking statistics, and history stay. To optimize profitability channels, hotels need to understand not only the "who, what, where and when" of their customers, but above all

the "why" - the behavioural data, which highlights the guiding factors. your guests' travel decisions. This level of granularity in customer segmentation, when analysed in conjunction with cross-device touchpoints and conversion statistics, provides information relevant to an effective distribution strategy.

Historically, hotel owners have not consistently taken distribution costs into account in their channel decisions. As a result, cash flow-focused hotels may inadvertently price rooms below marginal and fixed costs, negatively impacting their pricing structure and profits. To achieve true profitability, hotels should use Net Revenue per Available Room (Net RevPAR) or Gross Operating Profit per Available Room (GOPPAR) compared to standard RevPAR, comparing all distribution channel costs, including marketing and customer acquisition expenses, and applying them with the income they generate. And when evaluating channel costs, it's important to also calculate the expenses associated with direct bookings.

In addition to examining channel costs, it is equally crucial to assess the total contribution of each channel. While it is true that including direct channels in their distribution mix has its advantages, a closer look reveals that direct bookings may not be as far above the rest in terms of profitability as previously thought.

Channels that provide guests with higher ancillary costs and customer retention rates (i.e. repeat visitors) should also be factored into the profitability equation when determining channel priorities. These guests have a higher lifetime value. And since there are no customer acquisition costs for repeat visitors, these costs are replaced by benefits on subsequent stays.

For more than three decades, technological innovations have reshaped guest decision-making and the channel distribution landscape. Guests now have an unprecedented number of options for booking their hotel rooms. To get the most out of their channel mix, it's not all about direct bookings or an equal mix across all channels. Rather, hoteliers must strategically increase or decrease their presence in high- and low-margin channels in ways that improve overall revenue and profitability.

When considering channel mix, hoteliers should carefully assess the cost and likelihood of trying to change established customer preferences for their favourite third-party channels.

Seeking the transition of traffic to direct channels can ultimately undermine the return on investment.

Although the strategic use of indirect channels is important to the success of a hotel, direct bookings still have their place in a healthy mix of channels. After all, 52 percent of OTA visitors click on hotel websites, so they have to ensure that their direct channel is converting well is a top priority (Kotler & Bowens, 2014).

1.2.10 Smart Hotels

The smart hotel is already a reality. This technological trend has the ability to bring benefits to both guests and hoteliers. And, in addition to promoting the customer experience, it can improve the income statement of our hotel. Essentially, a smart hotel is a hotel that makes use of Internet-connected devices that are capable of communicating or interacting with each other. This sometimes becomes the Internet of Things (IoT), which means that even common devices and gadgets can send and receive data, something that makes them smart.

The ability of these devices to communicate with each other allows users to control multiple devices from a single point of control (remote control, smartphone, tablet or smart speaker). In addition, these devices can often find and use information from the Internet, allowing them to respond intelligently to questions that guests have. Major brands like Marriott or Hilton have already started designing these smart rooms. However, it shouldn't be restricted to just those giants. Any hotel should start thinking about how to equip its facilities with intelligence, as this improves the customer experience, makes life easier for staff and saves money.

Using a smart room, guests can control the devices in such a way that they design the room to their liking. It is also easier and more convenient for them to obtain important information. But it is also that it will reduce operating costs and incentivize energy savings. One of the greatest advantages of a smart room, from the hotelier's perspective, is that higher sustainability quotas are achieved.

This is directly related to the possibilities of energy saving within the rooms, thanks also to the automation offered by the Internet of Things. A smart hotel also offers significant opportunities to improve personalization. For example, televisions can be remotely

configured to refer to guests by their own name, while guests can use a central control point to set the conditions they want within the room. Thanks to the IoT, different devices can automatically create these conditions. Another important benefit for guests is the ease with which they can access information thanks to this technology. With devices like Amazon Alexa, guests can use their voice to ask questions and receive smart answers. Also, as long as hotels are transparent and comply with data protection law, some of that information obtained thanks to smart solutions can be very useful.

Finally, hoteliers can benefit from this type of smart room in terms of the capacity they offer in preventive maintenance. The IoT allows hotel staff to know the performance of the devices and know if they are failing. And all in real time (Jaremen & Jędrasiak, 2016, pp. 65-68).

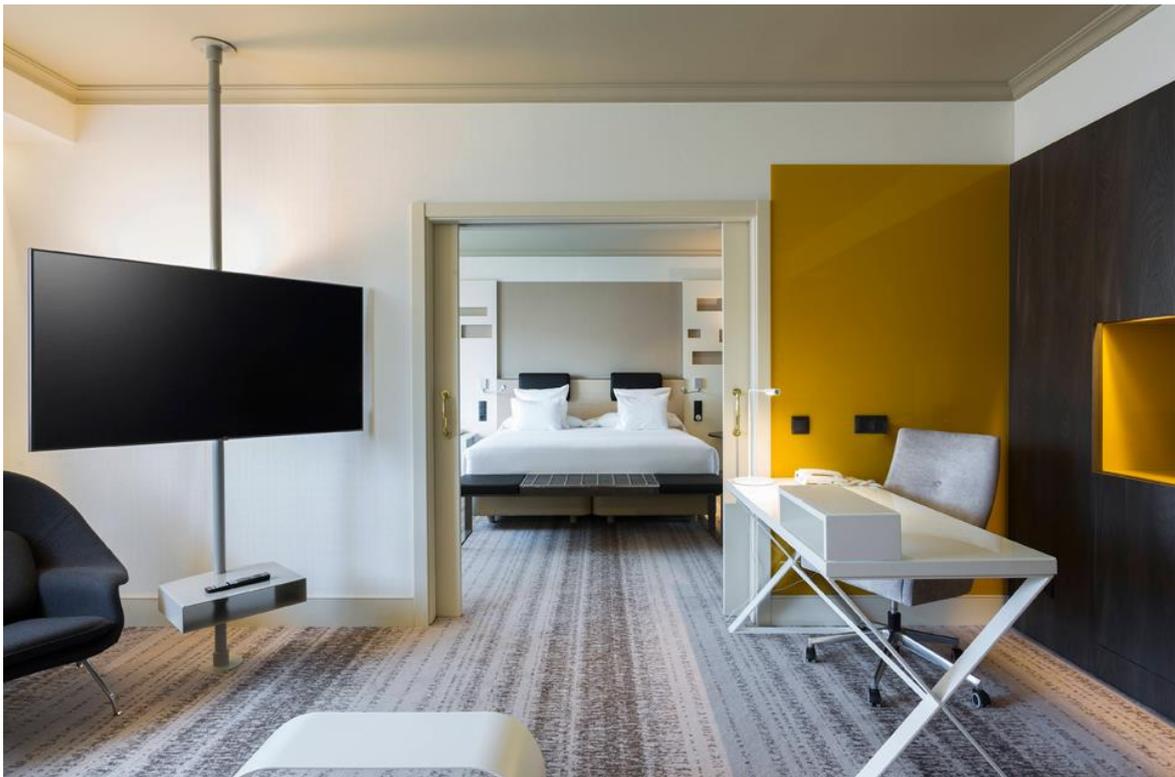


Image 3: Marriott Smart Hotel

1.3 Case Study 1 Franchise Business Model

1.3.1 Introduction

Further to the above references mentioned, and as an attempt of understanding the economical strategies followed by the hospitality industry, the main types of hotel companies, as well as the different types of agreements have been appointed. To this point, the international trends of the hotel industry and also the socio-economic factors that have affected the hotel chains at an international level under the consequences of the economic factors and the circumstances created by the pandemics have been discussed.

Furthermore, the determination of the terms and circumstances under which the management contracts has been ventured, focusing on the main ones as described and discussed above could cause numerous impacts on the hospitality trends. Finally, the relevant information regarding the international hotel chains and organizations and also the distribution channels for hotels have been briefly overviewed. However, further to the end of the information given by the literature review there many gaps that need to be filled for the research to attempt to fulfill the purpose of this dissertation which is mainly to examine the main differences in the use of its business model in the hospitality industry firms by setting supplementary questions as an endeavor to perceive the main aspects of the background which are linked to the hospitality as a sector that is undergoing changes as it is characterized by capital intensity. Since, the strategies are providing a scope for rapid expansion at an international level

1.3.2 Research Questions

Based on the aforementioned literature background and also on the perpetual methodological outline, we are confronted with the main purpose of the present study to thoroughly understand under which aspects of strategy the management contracts are applied by the hotel firms under the current circumstances and how it is projected to be in the future. Further to the above the following questions are shortly stated:

- 1) How technology and innovations are linked to the achievements of technology?
- 2) How the pandemics and the travel restrictions redefine the conditions of international travel?
- 3) What could be the role of each strategy model as an element to the success of a firm?
- 4) How feasible the selection of each approach under the current circumstances in the hospitality industry is?
- 5) Which are the main advantages and disadvantages of each management model (franchising and leased management) is considered to be in practice?
- 6) Which decision enhances the possibility of a firm to move forward to the regulation of cooperation between a hotel owner and hotel operator?
- 7) Which are the risks and side effects that each contract selection?

Further to the research questions arising from the study of the literature in order to coincide with the aim of the research, the researchers attempt to either develop the existing theory or proceed to a theory 'building', as commonly stated, to also test the theory, explore, describe or even explain a subject. The aim of the present paper is mainly seeking to explore in nature, the factors that could lead to the selection of each marketing channel and simultaneously to build towards a theory regarding the factors that could influence the general economic strategy to be followed by the hotel sector and also to gradually contribute to the consequent processes towards an achievement of a positive result.

1.3.3 The Choice of the Methodology

The study in general terms following the methodology of the comparative analysis based on the literature review of the Strategic Management in Hospitality Sector attempting to examine also a theoretical framework regarding the management and perspectives which were concluded through a systematic review of the existing literature through articles in scientific journals and books in assessment of past research, intending to report the underlying logical inquiries and the identification of the explicit fields for starting examination.

The current investigation is consequently a total writing survey, which expects to feature the main focuses on the current trends of the hospitality industry on economic and marketing strategies. In the paper, auxiliary components were utilized that basically settled the bibliographic audit of the examination. To guarantee their exactness, accessibility, reasonableness, also as their ampleness, a total writing audit was performed.

The literature review comprises of the assortment of chose distributed sources identified with the subject of the object of exploration and which joined by analysis, basic examination of the substance and citation key finishes of each investigation/research. The writing survey is anything but a straightforward reference of the pertinent writing, yet contains basic components of existing examinations. With the writing survey the gaps can be distinguished existing in the writing on the particular subject. That is, the audit of the writing was done in the setting of the exploration expects to recognize what important material is accessible and how other analysts have managed a similar issue or issue.

The way toward distinguishing and choosing the current writing incorporates the search and recovery of existing distributions, just as advancement and execution of rules for the presentation and rejection of sources, to turn into this determination of distributions to be examined in the final review (Gentles, 2015). Distributions incorporate diary articles, books furthermore, book parts, just as related report segments, theses and gathering procedures.

Moreover, this method attempts to set up methodological guidelines for assessment purposes), add to the making of new practices and rules (David Moher, 2007) It also aims to offer thought for a potential examination survey proof of equivocalness, irregularity or inadequacy with regards to writing research. A model is audit definitions that may have conflicting components, in which case there is a need to work on their reasonable lucidity

From the above it is clearly concluded that this method adds to the documentation of each work and gives a logical reasoning in its substance. On the off chance that holes have been distinguished in the current references that reviews the inspected subject, then, at that point through the writing audit, the creativity of the exploration and its commitment to the particular discernment is likewise archived object. Moreover, the presence of a literature review demonstrates that the specialist has contemplated inside and out the subject viable and has adequately fostered the hypothetical foundation.

By the study of the previous chapters and further to these research questions arisen, two indicative case studies as examples of application of the main two models discussed (franchising and leased management) have been selected as the main methodological tool. The case study methodology, which is one of the most widespread methods of scientific research and it is being applied to many scientific fields such as psychology sociology, economic and political sciences etc.

This type of methodology, which is often qualitative it yet also considered to appear as more preferable in comparison to other research strategies (i.e. experiment data analysis, poll, chronology) when questions as the above ones are stated, when the researcher has the least control over the events and also when the focus of the study regards a current phenomenon (Yin, 2003)

The methodology is also appropriate when the field of research is not commonly known and the researcher is engaged in building the theory (Eisenhardt, 1989). Ghauri has also underlined that the case study methodology is considered to be as flexible search approach which is appropriate for a variety of different types of research questions. It is also defined as a method of analyzing and a type of a specified research which is designed for the examination of a problem which could eventually result in generalizing findings across the relevant populations that are being examined.

Study case methodology is a research type that focuses on description, comprehension, forecast and control of the subject i.e. a procedure, animal, person, household, institution, team, industry, culture, or nationality. Miles and Huberman have also provided us with a much simpler definition in comparison to the aforementioned researchers stating that the case study is a phenomenon of some kind that occurs in a limited context. (Arch G. Woodside, 2003). Finally, according to Eisenhardt (1989) the case study methodology is defined as a research strategy that focuses on understanding the dynamics presented in individual environments.

1.3.2 The Meliá Hotels Internacional

Further to the above, the first case study that has been quoted examines the application of the franchise business model by Meliá Hotels Internacional founded. The firm was founded in 1956 in Palma de Mallorca (Spain), and is one of the largest holiday hotel companies in the world, as well as the absolute leader in the Spanish market, both in the leisure and business fields. It currently has more than 370 hotels distributed in 43 countries on 4 continents, marketed under the brands: Meliá, Gran Meliá, ME by Meliá, Paradisus, Inside by Meliá, TRYP by Wyndham, Sol Hotels and Club Meliá. As a franchise, a total of 28 hotels are transferred to one of its brands for an agreed period to be managed under this logo ("Sol Melia Will Pay \$326.8 Million For Spanish Hotel Group Tryp"., 2000). The Meliá Hotels Internacional chain has launched to promote their own franchise brand and for this, they have created the Affiliated by Meliá seal, a tool that offers experienced hoteliers to maximize the sale of their products.

This model is better adapted to circuits such as Spanish, as it is the ideal model for owners with experience in hotel operation but who, due to lack of scale, cannot undertake certain investments that the market demands. Under the franchise, the owner relies on Meliá in terms of the most expensive elements of the hotel operation Endorsement of a recognized brand in the market, international positioning, investment in technology, distribution agreements with main partners in each market, access to the most profitable channel in the market (the direct one) and access to databases of loyal customers through the Meliá Rewards program.

At this time, when demand is unstable and has been scarce or null for many months, the offer will begin to compete hard in price and conditions, only those who have a robust and differentiated segmentation will be able to face the next seasons without severely penalizing the operating account .

For this reason, this is seen as an excellent moment to look for strong allies with whom they can, united, face the competitiveness that we will see in the coming months. The idea of the franchise is to join forces to maximize the hotel's sales (Escarrer, 2019).The franchise initiative already has around 24 hotels associated with Affiliated by Meliá, of which 18 belonged to Tryp. Totally different from the North American model, the strategy proposed

by the Spanish company is for a hotel, anywhere in the world, to be recognized for its standardized elements with high levels of quality. Meliá focuses on the vacation world that works with different seasons, markets and segments.

For this reason, it maintains its quality requirements but understands the necessary flexibility that a vacation product must have that offers experiences and not only accommodation to make it unique and attractive to its potential client. In other words, Meliá makes its online and offline sales and distribution tools available to the owner so that the property maximizes the asset's sales potential, while maintaining the operational success that has led to it until today. The least intrusive types of franchise are the ones that seem to have the longest run at this time, in which the formula is also in high demand due to the lesser availability of liquidity to make large investments by the hotel owner.

The experience of more than 55 years in hotel management endorses Meliá. During this time, Meliá Hotels International has been able to combine the needs of its owners and investors in a common growth strategy. Therefore, its alliance with the company will lay the foundations for a lasting and personalized relationship for the operation of the hotel through the brands and with the support of the entire structure. Each of the Expansion Directors is an expert in their market and will be able to advise on the best choice of brand and type of collaboration. They will be in charge of guiding you throughout the process in order to develop the ideal strategy for the hotel project in all its phases (Escarrer, 2019).

The "franchise" model appeals to a commercial relationship between two parties, in which one of them (franchised company) pays a certain amount of money to obtain the license to start a business using a brand already consolidated in the market (franchising company). This business formula is applied in the same way to the hotel sector, an increasingly competitive sector, and dominated by large groups and brands, in which smaller hotels and chains (which account for approximately 85% of the current offer in Spain), are turning to brands and large chains to gain a foothold in the market. Hotel chains are organizations that have several affiliated establishments, backed by the same name, that share the same operational policies through an original service with a determined number of hotels located in different areas.

They can be made up of hotels of individual or family property. Hotels whose owner has the exclusive right and full control and which are generally owned by a single owner who makes a high-risk investment. They can be rental hotels that follow the same legal format as a rental of any other type of property. They can rent the land and build on it, or the property with all the equipment. The tenant pays a fixed monthly amount for the hotel (s) he is in charge of. Hotel chains, in short, are organizations that bring together more than two hotels that provide the same service or that go in the same direction in terms of supply. Unlike them, hotel franchises transfer their knowledge to smaller hotels, establishing the conditions of an agreement that benefits both parties.

The main reason for the success of the franchise agreement is structured around the following points. The advantages for the franchising company for large brands and hotel chains are the comprehensive, low-cost diversification and marketing strategy for the franchising company and the provision of financial assistance by the franchised company. As for the marketing system of a product or service, it allows geographic expansion, conquest of unknown markets, occupation of new areas, control of the distribution of products in these areas and valorization of the brand.

Advantages for the franchised company which could be a small or medium hotels are the provision of technical assistance and advertising cooperation, the knowledge and implementation of the management know-how given by the franchising company and the use of the brand and commercial name of the franchising company, taking advantage of its reputation (Goldberg).

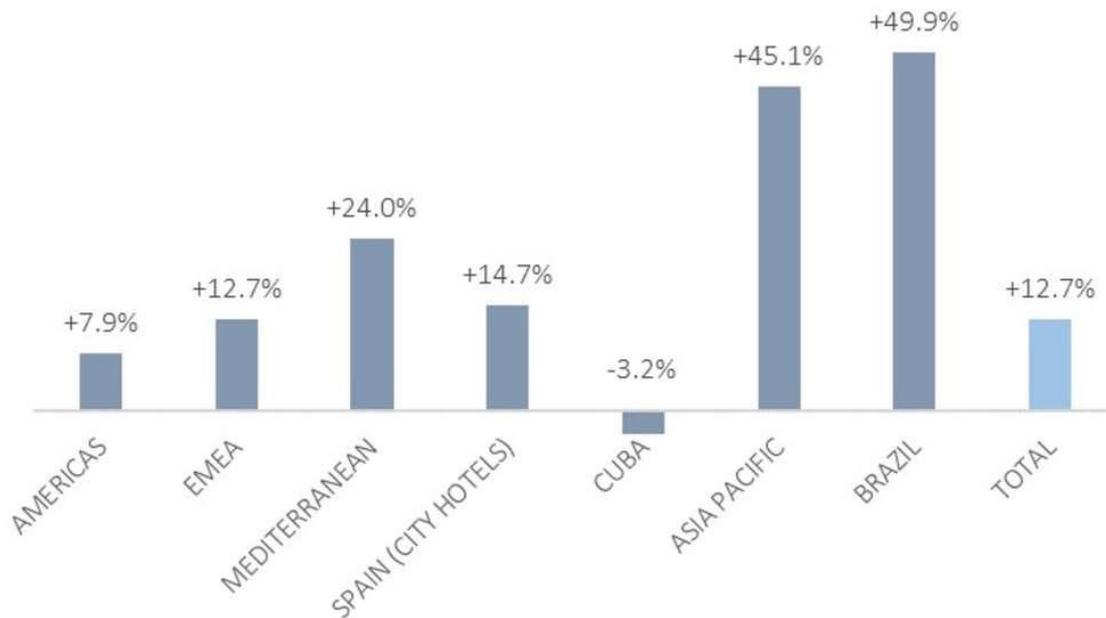


Image 2. Distribution of Meliá Hotels International

Source: hospitalitynet, Industry Update

1.4 Case Study 2 Lease Management Model

1.4.1 Introduction

Hotels, holiday resorts and hotel buildings are characterized by a certain heterogeneity, which is not only due to the difference in categories, the number of rooms, the location of the hotels or the hotel equipment. Especially varied are the design possibilities with which both the hotel owner and the hotel operator can regulate their cooperation. For this reason, the hotel operator contract has a special importance in the case of an investment in a hotel property: It decides on the distribution of risks between the property owner and the hotel operator. For the type of investment in the property, the hotel operating contract is decisive. In the national and international hotel sector, there are essentially two types of contracts that are chosen as hotel operation contracts: the lease contract or the management contract.

Hotel leasing contracts are a contractual figure used by the entrepreneur / investor with a perhaps more conservative and "patrimonial" profile who does not want to part with the ownership of the property and seeks to obtain a fixed or partially fixed income with a component variable depending on the benefits of the hotel business-, without assuming operational or activity risks -the most extreme exponent of this modality is the "triple net lease" -, and, among others, by the investment vehicles covered by the regime of listed investment companies in the real estate market -also known as Socimis, a structure increasingly used by foreign investors, whose corporate purpose is not compatible with the direct exploitation of the assets acquired.

Within this contractual structure it can be found two types of contract, premises leases and business or industry leases. Lease contract for a hotel or a passive investment in a hotel property. The hotel lease agreement represents the passive investment in a hotel property. The lessee of the hotel property thus obtains benefits from the hotel business, especially from his activity as a subtenant of the hotel rooms as well as other facilities, and as a provider of other hotel services.

However, the real estate investor can only count on a lasting investment success if the amount of the lease is and is maintained in accordance with the customs of the market. In this sense, the analysis of the lease in accordance with the customs of the market or possible overrented or underrented reaches a special importance. The hotel lease is still the most common hotel operation contract in Europe. In this case, the owner of the hotel, the lessor of the hotel, makes the hotel property and all the other components of the object to be leased available to the tenant for the so-called usufruct. The lease in the case of hotels generally also includes the FF&E equipment (Furniture, Fixtures & Equipment) and often also the complete equipment necessary for the operation of the hotel.

Usufruct means for the lessor of the hotel who runs the hotel in his own name, for his own account and at his own risk. As lease payments to the owner of the property, fixed or variable payments, or a combination of both, are agreed upon for the transfer of the hotel. The investor of a hotel property has a certain degree of security in the case of a hotel lease, which largely depends on the solvency and economic development of the hotel operator. But in principle the profitability of the hotel is decisive. Before any investment in a hotel property it must be examined exactly.

The possible rental payment for an economically sustainable hotel property can be determined in principle according to the following steps. Firstly the derivation of the hotel's economic result after relevant deductions from the operator. Apart from the usual expenses of the operator, the hotel tenant should normally have reservations for interior equipment renewals (FF&E) that occur irregularly even though these are owned by the hotel owner / hotel lessor. Secondly comes the approach to the possible remuneration of hotel operation for the hotel lessee. The remuneration for hotel operation is equal to a risk premium for the operation of the hotel, which is usually between six and twelve percent of the hotel's total billing. The hotel lessor disposes of the remaining amount on a sustainable basis as a maximum for the lease payments to the hotel investor / hotel lessor (Ramsey, 2020).

To determine the EBITDA of the property owner, the agreed lease payment for the hotel must be cleared, with the annual reserve for building expenses, as well as other expenses of the hotel investor / hotel owner for the hotel property (taxes, insurance, etc.) Following the sector reports of the most important hotel associations in Europe (Germany, Austria, Switzerland, Italy, United Kingdom, Spain and France) this EBITDA of the property owner / hotel investor is around 14.5 and 21, 5% of the hotel's total billing. However, in hotels with an international brand, a significant divergence of these data is often observed.

Legally, the distinction between hotel leasing (real estate) and hotel industry leasing is very relevant. In the first, the leased object is exclusively the hotel-property and is regulated by the Urban Leasing Law, while the industry lease falls on a patrimonial unit with a life of its own and capable of being immediately exploited. In other words, both the building-hotel and all the elements and movable property (tangible and intangible) that make up the hotel business are jointly leased, including the staff involved. In this case, the contract is excluded from the Urban Leasing Law, becoming regulated by the Civil Code, although, in practice, it is the pacts between the parties, due to the scarce mandatory regulation, which make up the contractual regulation of the same.

Although it is essential, the definition of the object to be leased is not enough. It is also necessary, prior to the preparation of the contract, to define what are the objectives and limits of each party in relation to the risks to be assumed, the remuneration model (fixed, variable or mixed income), the duration, the causes of termination advance, the regime of improvements, maintenance and repairs, insurance, as well as the conditions of delivery and return of the hotel (shutdown of operations, physical and commercial condition of the hotel,

status of the licenses, as well as the assumption and reimbursement regime of the employees) and, finally, the system of distribution of the expenses generated by the formalization of the lease (Ramsey, 2020).

1.4.2 Hoteles City Express

Hoteles City Express is the leading and fastest growing limited-service hotel chain in Mexico and specializes in offering high-quality, comfortable, and safe accommodation, at affordable prices, through properties aimed at business travellers of mainly national origin. Hoteles City Express develops its operation through a comprehensive lodging business platform that carries out the development, selective acquisition, administration and granting of hotel franchises in the mainly economic and budget segments, most of which are found in Mexico. Hoteles City Express will continue to consolidate the results of said Trust 100% in its financial statements derived from the fact that (i) it will maintain control over said Trust through a controlling interest, among other factors and (ii) the Real Estate Assets contributed to said Trust will continue being operated by Operadora de Hoteles City Express (“OHCE”), a direct subsidiary of Hoteles City Express.

The investments made by the Trust will be through Investment Trusts. Each of the Investment Trusts has entered into a Hotel Operation and Administration Agreement with OHCE for the operational management of the Real Estate Assets that are contributed to said Investment Trusts. These contracts are substantially similar to those entered into with the hotel co-investment partners of Hoteles City Express, as well as those entered into with third parties for hotels under the management and franchise scheme.

As of December 31, 2017, Hoteles City Express had 135 hotels in operation, with a presence in 29 of the 32 states of Mexico and in 3 additional countries in Latin America. Hoteles City Express plans to open 5 additional hotels to the existing 135 for the first quarter of 2018 and has a development plan of between 15 and 20 additional hotels for said full year. Hoteles City Express integrates within its business model 4 fundamental pillars: a) the hotel development platform, b) the hotel-owned real estate business, c) the hotel operation platform, and d) a robust distribution and marketing network digital. These four business pillars allow Hoteles City Express to have significant competitive advantages over its competitors by allowing it to horizontally integrate the complete value chain of the hotel industry in Mexico (Newswire, 2020).

This has been essential to achieve sufficient scale and a critical mass of hotels that represent the largest inventory by brand in Mexico. Consequently, City Express Hotels has decided to follow international trends and begin to make a part of its hotel-owned real estate business independent.

With an inventory of 135 Real Estate Assets, Hoteles City Express has the largest hotel inventory by brand in Mexico. Regarding said inventory, 54 hotels are 100% owned, 33 are joint ventures, 14 are hotels under lease, 5 are hotels under franchise contracts, and 29 are Hotel Operation and Administration contracts. The total net fixed assets related to the Real Estate Assets that are 100% owned by Hoteles City Express, the joint ventures with its partners, the equipment of hotels under lease and the operating infrastructure of the subsidiaries of Hoteles City Express in September 2017 amounted to \$ 9,518.2 million . Hoteles City Express under the regime of lease has the following function. The acquisition of the right to receive income from the Accommodation Contracts and the Leasing Contracts as well as to grant financing for those purposes with a real estate guarantee, directly by the Trust or through trusts (including, without limitation, through the Trusts of Investment).

Makes Distributions in accordance with the Distribution Policies. Invest any amounts deposited in the Trust Accounts in Permitted Investments. Grant the powers (including special powers, if any) necessary to defend the Trust Estate, in favour of the Persons designated by the Administrator or the Common Representative, as the case may be, as well as revoke said powers when appropriate. Carries out the repurchase of CBFIs in accordance with the instructions received from the Administrator, with the prior approval of the Technical Committee, for their subsequent cancellation and / or relocation, in terms of the applicable regulations.

Incur or assume debt in accordance with the leverage guidelines established in the Trust. with the understanding, that notwithstanding the foregoing, the level of Indebtedness of the Trust may not exceed the maximum limit of Indebtedness allowed under the CUE at any time. Constitute liens and / or grant real or personal guarantees. Enters into any contracts, documents or instruments that may be necessary or convenient to acquire the Initial Portfolio, in accordance with the Administrator's instructions; as well as any other contracts, documents or instruments necessary or convenient in order to fulfil the purposes of the Trust.

Contract according to the written instructions received from the Administrator and charged to the Trust's assets, any third-party service provider that is necessary, adequate, or convenient to carry out or to fulfil the purposes of the Trust. Hires and remove the external auditor upon instruction of the Administrator, prior approval of the audit committee. Obtains insurance to protect the Trust from liability to third parties in relation to the Trust's Investments and other activities, including indemnity payments payable to third parties (which includes the Underwriter and other underwriters). In general, carries out any other action that is necessary or convenient to satisfy or fulfil the purposes of the Trust, the issuance documents, or the applicable law (hospitality net, 2020).

1.5 Conclusion

1.5.1 Key Findings

In this chapter, the key findings derived from the secondary review stemmed from the existing literature on the analysis of the strategy of hotel units through marketing channels that each one of them can choose and also the variety of the management models which are depending on their needs and means. The results indicate that the Hospitality industry is changing faster than ever and this means that it is almost impossible to keep up with all the existing hotel trends. If a business is not ready for the future, then it may soon be a thing of the past! Technologies are part of everyday life in a variety of ways. Every innovative idea or achievement directly affects all branches related to man.

The study demonstrates a correlation between the technological innovations and the success of a firm. They could not miss the hospitality and tourism industry, which is directly linked to the achievements of technology and beyond. Tourism is constantly changing, as a result of wider complex social, cultural, technological and economic changes. The increase of incomes but also the increasing availability of leisure have been the basis of the tourist development for the last fifty years. At the same time, technological advances, especially in aviation, since the 1960s, have made it possible to move in a reasonable amount of time to distant places with attractive features for rest and leisure.

This perspective has led to organizational changes in service delivery with the development of package travel, which have reduced travel costs and enabled more people to travel. At the same time, the application of new information technologies in companies has brought about significant changes. The e-business is now a key tool of the tourism business with

significant opportunities for flexibility and enhanced business independence / autonomy in an increasingly competitive environment.

These changes also have a significant impact on the structure and flow of service delivery; for example, shrinking the traditional role of chain links (e.g. travel agencies). Much more important, however, are the socio-economic changes that affect tourism preferences. Significant changes are already taking place in the values, principles and standards of modern society. After all, these are not only the result but also the basis for many of the changes that have already been analysed in the previous paragraphs. Cause or effect, one thing is certain, modern tourism is changing leading to the growth of mass tourism and an explosion in demand for leisure travel.

Now, after months of quarantine and travel restrictions, some parts of the world are slowly beginning to reopen to international travellers. In other areas, regional travel is beginning. But in a world that is still fighting the pandemic, it is far from being a business like it used to be. Hotels are transforming their cleaning protocols and operating models based on the needs of a germ-conscious public, the likes of which have never been seen before (Hotel Tech Report, 2021).

Global hotel groups have announced extensive safety measures, including electrostatic sprays to disinfect surfaces, partnerships with disinfectant brands, and with healthcare experts to design new guidelines and protocols. The coronavirus pandemic has disrupted the hospitality industry, closing more than 5,000 hotels in the United States in March and April alone. As of early June, nearly half were still closed, according to STR, a hotel data provider. Now, after months of quarantine and travel restrictions, some parts of the world are slowly beginning to reopen to international travellers.

In other areas, regional travel is beginning. But in a world that is still battling the pandemic, it is far from being a business like it used to be. Hotels are transforming their cleaning protocols and operating models based on the needs of a germ-conscious public, the likes of which have never been seen before. The large hotel companies in general have carried out exemplary management in recent years and their efficiency allows them to continue with their expansion plans. Likewise, the funds look to the large chains to operate their investments, given their capacities and leadership in the sector, so they can expand their growth through management models, with more or less links with the funds.

1.5.2 Limitations & Recommendations

The limitations existing in use of the secondary data collection either collected by an individual or a researcher are regarding the fact that the data could be characterized by and also vary as well as not appointed to the scope of the research. Moreover, the information that are derived from this type of analysis can be subjective and also not always characterized by accuracy as the selection is subjective and the information examined and presented might be out of date as the hospitality sector particularly is constantly evolving and it is being affected by other political, social and economical factors that can cause a severe impact on the overall outcome. Moreover, the sample that is being used in order for the researcher to generate the secondary data may be small and the liability of each source i.e. industry magazines, sales employees, past research which has been conducted by the organisation.

The results have partially met the expectations of the study in the line of hypothesis, however, further studies should also take into account more reliable information generated by the current trends and circumstances including also primary data based on surveys and interviews undertaken by sales executives, research and development employees, customer usage rates etc.. However, the access to the collection of this information is being distributed internally within an organisation and also the sample for the primary data analysis is not easily accessible.

1.5.3 Discussion & Conclusion

In the search for effective allies, the results should be taken into account when consider how embracing a hotel franchise is one of the options with the longest journey now and one of the most demanded. The advantages are very diverse but that cannot lead the hotelier to choose without making a very thorough analysis or even considering whether it is appropriate, despite these uncertain times, for their specific type of establishment.

The date previously discussed contributes a clearer comprehension of the main advantages of joining a brand through the franchise is that it allows the hotelier to maintain control of the operation of the establishment, while, at the same time, enjoying the marketing platform offered by the franchise and the latest technology, areas in which making an individual investment can be more expensive. It must also be valued, at a time when online marketing is growing in importance, that franchises have powerful sales engines.

Therefore, the hotelier must assess to what extent the different fees that must be paid to the brand compensate for the savings generated in these aspects. Another advantage to take into account is the value of the franchise to attract customers to whom the hotel has more difficult access, which includes the possibility of achieving better occupations for what is the usual low season of the hotel, both in the case from the urban hotel -capturing weekend clients- as vacation -except for the classic periods of greatest occupancy. And in general, attract new customer segments (Hotel Tech Report, 2021).

Although it is necessary to have an initial and constant expense throughout the years to which the hotel is committed, it is also true that the conditions of the contracts are evolving towards greater flexibility in many aspects, including from the so-called protection zones to the different programs. The franchise is in high demand after the crisis created by COVID. In any case, it is also necessary for the hotels to analyse whether the franchise formula itself is appropriate for that specific asset, such as a very emblematic asset that may be worth continuing to walk alone, or affiliate with more tailored standards.

Also others that can sometimes concern franchisees, such as those related to the so-called "protection zone". In other words, the brand's commitment not to add others or a limited number of hotels in the same area to the franchise.

In some cases, compensation is already being offered to the franchisee for adding other or also co-marketing or cross-selling agreements that may benefit them. The months that have elapsed show a greater insight into the possibilities that are in the hands of the hoteliers. Basically, what has been done is some type of deduction, reduction of this year's rent or the cancellation of it, which is forgiven for a few months and the payments for future months are fixed in a proportional part.

In general, the contracts are not being extinguished because they are usually of successive tract, that is, for several years. In this case, the jurisdiction establishes that, if the situation is extraordinary as now but temporary, there is a forecast that in one or two years this situation will change, the renegotiation of the contract is sought rather than termination. The renegotiation is taking place in all tourist areas, not only for hotels, but also in agencies, restaurants or even golf courses, and in many cases the historical jurisprudence that marks the *Rebus sic stantibus* clause has been applied, by which the Roman law established that, "if the circumstances changed substantially, the contract would become unbalanced and, therefore, to rebalance it, it had to be renegotiated.

Today no one knows exactly what is going to happen, if it is something totally specific and it is only necessary to save this year or next year, and in that context renegotiate the conditions or they see that it is a situation that is going to be consolidated" and therefore those contracts would have to be resolved. But for now, the usual thing is to renegotiate including 2021.

The owner cannot pretend to collect the rent in a normal situation, so the conditions are being renegotiated, the rents are suspended or lowered, each negotiation is a world. By way of the *Rebus* clause, the parties "are almost obliged to understand each other to avoid prosecuting this issue" and notes that "common sense" is being applied.

The operator of a hotel when it is a lease, not in management contracts, if he cannot reach an agreement with the owner, he can take him to court to demand that renegotiation. But avoiding it benefits the tenant and also the landlord, because if the hotelier has to go to court, the landlord may not see the rent for a long time, they could deposit the rent in court and the landlord would not see it. resolve the lawsuit, which may take years.

When considering the pros and cons of the hotel operating models, it is essential to note that most hotels are focusing on franchising. The main prestigious hotel companies worldwide are focusing their hotel growth on the franchise, which already represents more than 30% of the current hotel market. This shows that the market is moving away from independently operated hotels around the world.

As hotel brands increase their presence, independent hotels find it increasingly difficult to compete. But, this has also created new opportunities and franchise potential for the hotel business. The main reason a franchise affiliation business model is chosen is to generate more income by increasing occupancy and guest arrivals at the hotel. The franchisor must demonstrate its advantage over the other hotels in its market (Samson, 2020).

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