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HOTEL OWNERSHIP STRUCTURE & MARKET COMPETITION

Firms decide to enter or exit the market based on different market characteristics such as barriers to entry, economies of scale, competition and productivity. It also depends on the firm's characteristics such as ownership structure, size and age. Strategic decisions concerning a firms' entry and exit are part of the market selection process. **Dr Yoo Ri Kim** presents her research on the strategic impacts of these decisions.

HOW CHANGES IN HOTEL OWNERSHIP STRUCTURE AFFECT LOCALISED MARKET COMPETITION

DR YOO RI KIM

Using multilevel mixed-effect analyses, this study shows heterogeneous effects of hotel ownership structure (chain-affiliated vs independent hotel) changes on localised market competition and the entry decision of different segment hotels, from economy to upper-upscale hotels. When a chain-affiliated hotel in the market changes to an independent hotel, it increases the number of economy hotels entering the market, while a change from independent to chain-affiliated increases the number of upper-upscale luxury hotels.

This implies that independent hotels may not directly compete with economy hotels and they locate close to each other to take advantage of spillover effects on production-enhancing agglomeration as they tend to be low-resource.

In contrast, upper-upscale luxury hotels are more likely to enter the market when incumbent hotels are chain-affiliated.



FURTHER READING:

Lin, S.-C. and Kim, Y. R. (2020) 'Heterogeneous effects of hotel ownership structure changes on localized market competition using multilevel mixed-effect analyses', *Managerial and Decision Economics*. doi: [10.1002/mde.3274](https://doi.org/10.1002/mde.3274).

Localised market competition significantly affects different segment hotels. An establishment's ownership structure may affect its competitors' competitive behaviour, and, ultimately, the intensity of competitive interactions in the market. Therefore, when hotels choose to enter a market, they should co-locate with caution and strategic consideration.