

# Globalization and localization



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This paper aims to analyze an overview of globalization and localization, which come into play important roles in prospects and fate of international hospitality industry. With high-speed economic development and increasing entrepreneurs' ambitions, hotel global expansion has become an essential strategy for hotel managers to achieve successful business operation and gain maximum profit. However, hotel corporations can stay competitive by “thinking globally, acting locally” (Hall and Mitchell, 2002). In other words, hotels should take charge of global trends and local concepts at the same time.

Hotel firms have been paying more attentions to localization since tourism trend makes the world look the same. Therefore, hotel distinction becomes an important factor to attract consumers by leaving deep impressions. The first part takes a look at influences of globalization in hotel development, such as significances, challenging factors, along with strategic occasions. Although IHI has witnessed a lot of success due to globalization, there are still inevitable disadvantages because of inadequate localization strategy. Then the second section is a major concern of this paper as strengthens, weaknesses and opportunities of localization.

To some extent, localization is more important particular to IHI. Based on globalization, when focusing on unique localization, you have to focus on destination image, hotel design and ambience, and marketing strategy. At last, a case study shows numerous merits mainly due to successful globalization and localization management. What is more, personal recommendations are listed in order to offer hospitality managers a better strategic implement and management for success. Globalization

Globalization brings intensive significances in helping hotel companies gain additional customers, competitiveness and changes, and reduce cost.

The reorganization and restructuring of hotel corporations and their business depend on customers, competitiveness changes and cost, which are the key elements of market environment (Galacic & Ivanovic, 2007).

What does globalization mean? In general, globalization is a strategy of company business or operation expansion to foreign markets in order to improve their business to new heights, and it increases integrated global economy (Frink, 2009). The hospitality industry has gone globally; hence consumers can find Hilton, Marriott, Starwood easily all over the world.

Globalization makes it simple and convenient for IHI to offer similar services, goods and standards to various people even from different countries. As a result, hotel companies could reach a greater customer base due to the rise of market share; in turn, the additional customers could generate a significant profit directly. Human resource management is the backbone of every organization, so when hotel companies adapt to globalization they have stronger competitive capacities.

‘ Choi et al. (2000) observed the evolving dynamics of international labor utilization, while Wilson et al. 2000) cited knowledge gaps in contract catering in the hospitality industry’(Munoz, 2005). Labor diversity is one of the most effective advantages that hotels could take good use of. For instance, the labor in China is rich but costs much lower than many developed countries. So hotel firms could be more active and creative by contributions of Chinese employees, furthermore, they could reduce labor

cost. Galicic & Ivanovic (2007) say that hotel industry is exposed to great changes in business environment, but globalization can help hotels react much quickly to march changing market and meet guests' needs.

Although hotel companies have to take budget into prior consideration when implement global strategy, the global development costs are much lower as companies provide similar hotel name, style and size. However, globalization can be a double edged sword since there are many difficulties, such as cultural difference, complex human resource management (HRM), huge expenditure and trade barriers. There is an increasing number of new hotels spring up each and every day, so ' survival of the fittest' becomes a definite truth as competition is unable to avoid.

Frink (2009) states that hotel companies have to consider different cultures under different locations when they go globally. It is usually hard for hotel firms to integrate other cultures into their own previously corporate culture, particular to successful ones with a long history as they already have had a stable operation system. For instance, a Hilton hotel built in China has an apparently culture that is different from western one. The most important is that different cultures can lead to different perspectives. In the landscape, the language system should first adopt Chinese for better communication among staffs and clients.

The management of complex employees is difficult, as major employees might be locals but some executive managers are foreigners (distributed directly from Hilton Corporation). According to the statement of Hammer (1988), individuals are easier under high stress, and suffer from

interpersonal anxiety and self-doubt when face cross-cultural situation and variously unfamiliar cultural codes (Munoz, 2005). Frink (2009) says that expenditure of training and development cost millions, so global strategy itself is a major challenge. And it is extremely hard to small-sized hotel companies for they are inadequate to develop business.

Despite the equal rights of global free trade area according to World Trade Organization (Mehanna, 2008), there are still trade barriers under different countries' policies which limit the development of IHI directly. It is said globalization has changed the system of supply and demand, and provides a positive market to the international hotel industry. The increasing number of tourists has a good influence on business strategies for hotel firms. Hence, hotels are developing to foreign markets with fewer investment risks, to attract as many guests as possible and to achieve an economy of scale (Perucic, 2007).

Hotel firms with adequate geographic coverage seem to evoke corporate customers, because “ many ‘ global customers’ purchase hotel services centrally and multinational firms often appoint particular hotel chains as ‘ preferred’ suppliers for their employees” (Whitla, Walters & Davies, 2007). The hotel companies always present some unique image, design and ambience, and marketing strategy (apply to all belonged hotels) in order to distinguish themselves, although the hotels are located in different regions and countries. Customers have different tastes and requirements that hospitality corporations should have to adapt to diversity.

Nowadays globalization makes it convenient and accessible for people to book products through internet before arriving. As a result, clients could choose the most suitable hotel by acknowledging basic information of each hotel firms. Reputation of hotel firms plays an important role in IHI. Such as, beautiful villas and professional spas are the famous symbol of Banyan Tree resort hotels no matter in Bangkok or in Lijiang. Then, Banyan Tree resort hotels might become the first choice for people who pursue complete relaxation or wonderful honeymoon.

Localization Localization is the substantial process when international hotels implement global strategy, which benefits hotels' marketing, staff and customer. Hotels can't ignore observing and understanding local market if they want to succeed, as every local market has its own character, system and policy. Levitt (1983) interprets that localization is controlled by the multinational company, so hotel firms which apply to many other countries have to adjust products and practices in each at high relative cost (Rutihinda & Elimimian, 2002).

Localization provides accesses to realize and understand local customers' consuming style and need, by inspecting local market likes tourism market. It is said that hotel styles develop under differently cultural contexts, and hotels should have distinguishably unique cultural context during the globalization process in order to be more competitive (Taewon & Smith, 2008). Localization involves local culture which is the dominant factor to hotel management. In other words, hotel corporations develop better human resource management systems to attract and maintain employees.

The fact of major customers are locals determines hotels should to operate locally in certain degree, and Belk (1996) states that consumers in some cultures like transforming global brands into their own cultural meaning instead of becoming global consumers (Taewon & Smith, 2008). Even for international businessmen, nowadays, they are more eager to experience local culture and society since they are tired of similar hotel experiences brought by globalization. Actually, aside from good points of localization, IHI faces challenges mainly in the field of hotel management, marketing and overall environment.

It is essential for hotel managers to consider localization which is a dominant process to succeed, before implementing or even before planning global strategy. When focusing on expansion hotel companies must focus on localization, because management modes are different according to various locations, market, culture and etc. Like F&B department should focus on local peoples' flavor and local material market before planning its menu. There are some barriers for hotel managers to understand other regions and countries comprehensively.

Moreover, hotel managers face difficulties and conflicts when change pervious management into a new one under certain local culture.

Coordination and control of market strategy based on destination brand is another big challenge, particular when hotels start various tourist businesses without consultation or coordination on prevailing message or destination values. Hotels must concern about environment includes politics, community and policy, for example, Frink (2009) refers that countries vary laws and practices which affect organization in a totally different way.

Localization offers numerous strategic opportunities to hotel development, and hotels which depend on localization might develop more markets and customers. ' The significance of regionalization as a symptom of global business activities has been gaining momentum. Recent firm-level research argues that the syndrome of globalization has fostered regional business pattern rather than global one' (Mehanna, 2008). Localization gives its outstanding characters to IHI, which could be regarded as a part of tourism industry. Tourists need hotels, resorts and food services to survive through the global market.

Consequently, hotels which represent localization have great opportunities to attract more tourists, businessmen and other consumers. To local clients, those hotels have more competitiveness because they can offer goods and services based on local culture and tradition. Which means localization could make hotel companies easy understand values and needs of local people. Since globalization has become a main trend for international hotel industry, the phenomenons of destination image, hotel design and ambience make localization plays an increasingly significant role in global expansion.

For instance, Borda? s & Rubio (1993) say that ' actually, products and places can arise in consumers' minds under the umbrella of a global image based on nationality' (Garcia, Gallarza, Saura & Garcia, 2002). Hotel companies based on diverse geographic positions, should represent images of destinations to show distinctions from others, combine with enhance hotel brand reorganization. Prayag (2008) asserts that destination image is widely known as a significant factor of cognition (Castro et al. 2007; Tasci et al. 007), which highly depends on subjectivity (Baloglu and Brinberg 1997;

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Bigne et al. 2001). It is obviously that hotel destination image is a critical part of tourism destination's image, the study of Prayag (2008) indicates that a positive relationship exists between visitors' loyalty and destination image. Most satisfied customers have positive attitudes towards repeating purchase intentions as those hotels deliver superior value compared to their competitors, and likelihood to recommend fantastic experiences to their friends and relatives.

Consequently, customer loyalty could turn directly into profitability. Further, favorable perceptions of destination attributes might affect tourists' satisfaction positively, which in turn impact future behavior, while service quality and perceived value are tend to be moderating factors (Prayag, 2008). Such as, the success of Hotel Hana-Maui, the New Otani Kaimana Beach Hotel in Honolulu and the bungalows at the Mauna Lani Bay Hotel on the island of Hawaii give deep impressions to clients with both hotels and tourism destination image (Cruthers & Dalton, 1991).

It is a good way for international hotel companies to seek new ways to differentiates and to enhance customers' impression, through hotel design and ambience. Accommodation is the place that visitors spend most time, and the design which represents main characters of hotel might evoke guests' interest and raise overall satisfaction. Designers are trying to bring new ideas to hotel companies in order to increase competitiveness and attractions. In order to match landscape and transform it into a success story, developers need to focus on the link between hotel and the area outside hotel grounds (Ayala, 1999).

Special hotel design is not only a part of hotel, but also could be an element of tourism attractions. Take Burj al Arab as an example, it is a famous seven-star hotel with Arabian national culture as well as a distinct architecture and decor. The unique design makes Burj al Arab become a significant landmark, which leads to obtain considerable customers and visitor. Ayala (1991) also say that ‘ successful hotel architecture does not just respect an attractive view; it works with the view, bringing it closer to the guest, making it tamer and more accessible’.

The ambience is the environment and atmosphere of hotel that clients could enjoy and relax. The lobby of every hotels and public areas are the most important places that give some first impressions. Distinctive ambiences such as Japanese flavor or Indian feature would attract different kinds of customers by providing different feelings and experiences. Globalization and differentiation marketing strategy lead international hotel industry to a new high.

Hotel companies consider local destination features as a secondary role besides the features of their services. Hotels might have significant power in marketplace, because hospitality corporations would like to promote particular kind of hotels focus on different or even conflicting place attributes (Laws, Scott & Parfitt, 2002). For instance, one Hawaiian island is famous known as the Volcano Island, the Orchid Island and the Big Island whose promotion based on local features (Laws, 1991, as cited in Laws, Scott & Parfitt, 2002).

Kim & Chung (1997) state that ‘ brands originating from a particular country seem to create intangible assets or liabilities that are shared by those brands originating from the same country’ (Laws, Scott & Parfitt, 2002). Hotels coordinate with local market and have basic context of destination, would be the first property that consumers prefer to choose and stay in. Such as, Gold Coast involves beach and excitement/night-life, and entertainment, hotels which present same brand personality (exciting, fast paced and fun) would attract more visitors.

The reason is that those best suit customers’ holiday motivations and expectations. Consequently, localization has a positive influence on building brand recognition for hotel companies. Case study According to the analysis of Datamonitor Plc (2006), Marriott is an international hotel company that operates and franchises hotels and lodging facilities. And the firm is considered as one of the largest hotel chains in the global hospitality industry besides other famous hotel corporations such as, Six Continents Hilton, Starwood and Wyndham.

Actually, Marriott has hotels in 69 countries and it owns more than 27000 properties, although the company has been affected by increasing competition in global hospitality industry (Datamonitor Plc, 2006). The push of global growth leads to great development in China, for example, the company will build another 25 hotels by 2011 to the 35 that are already existing there (Serlen, 2008). Marriott runs a resort & spa in Sanya with pristine white sand beaches of China’s premier holiday destination.

Sanya Marriott is successful operated and attracts worldwide tourists by implementing strategy involves both globalization and localization. The Marriott Company applies the similar business model, experience and management system to Sanya hotel that means low investment risk in global expansion. The corporation runs various hotels which range from mid-scale to luxury ones, but the most important factor is that all hotels have high quality which has a significant impact on company's competitiveness.

Sanya Marriott takes good use of local Chinese labor (rich and low cost) as basic employees, as well as foreigners (rich skills and experiences) as executive managers, which enables the company gain great overall revenue. It attracts more visitors and leaves unforgettable impressions by taking hotel local surrounding and hotel design into high consideration. For example, ' Sanya Marriott Resort ; Spa features a serene, organic design by Singaporean-based Wilson ; Associates, including the liberal use of natural stone and warm woods that reflect the spectacular environment of the Resort surroundings' (Sanya Marriott Resort ; Spa website).

The balcony in every guest rooms is uniquely designed for great mountain, garden and ocean views. Sanya Marriott provides various products to both domestic and international guests, such as professional spa, on-site restaurants, leisure activities, kids' club and meeting facilities. As a result, it is regarded as a place that people have always wanted to go but never want to leave. Personal recommendations: (1) There are many other five-star hotels like Holiday Inn and Hilton, so Marriott has to take good use of its surrounded beach in order to be more competitive.

More recreation facilities with distinctive designs and activities are needed, which could not only attract and maintain customers but also improve hotel's overall revenue. (2) The products provided by the hotel are the basic and most important element that customers care about. Guests usually feel much happier and satisfied when they receive services and goods based on their own culture and tradition.

So Marriott should pay close attention to individual services according to the guests' cultures which involves both globalization and localization. 3) Since Sanya becomes a more and more attractive tourism city, tourists will increase from all over the world, the hotel managers should consider some potential challenges and plan necessary strategies based on both global and local markets. (4) The Marriott is an American hotel company, so the corporate culture is different from Chinese culture. Hotel managers have to focus on employees (most are Chinese) in order to improve operational efficiency with fewer cultural conflicts.