

THE EXPANSION OF THE RITZ-CARLTON® ON FOREIGN MARKETS

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Abstract: The spreading of globalization drives the companies' pursuit to expand on foreign markets for various reasons. In this paper it will be analysed the expansion on non-US markets of the Ritz-Carlton®, a hotel company with tradition, being known for its services quality. The analysis takes into consideration the opening year of the hotels in the Latin American, European, Middle Eastern, Central and South Asian and Asia-Pacific market, trying to correlate the expansion on certain areas and locations with the American foreign policy regarding those regions, one of the essential factors being the improvement and development of economic ties which led to an interdependence between the main actors of the current international affairs arena. Under these circumstances, there were created favourable environments for the hotel to expand on foreign markets. Last but not least, by serving international business people conducting their affairs worldwide and contributing in tightening the economic relations among countries, such a hotel chain is indirectly part of the economic and soft power of a country.

Key words: business tourism, economic power, international tourism, investment,

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INTRODUCTION

The Ritz-Carlton® is a 5-stars hotel worldwide known for its quality of services that is owned since 1998 by The Marriot International. Its activity addresses tourists with a high income or whose expenditures during their sejour are paid by corporations, operating in the business tourism sector which is currently expanding faster than any other sectors of tourism. The term tourist is defined by the United Nations World Tourism Organization as "a temporary visitor staying at least 24 hours in the country visited with the purpose of whose journey can be classified under one of the following headings: a) leisure, recreation, holiday, health, study, religion or sport; and b) business, family, mission, or meeting" (Edgell et al., 2008, p. 1). The international market analyzed on this paper is the one characterized by tourists from the second category of the definition, their purpose to travel being: business, mission or meeting.

After the Second World War the trend of international tourism switched towards mass tourism, not only the aristocracy and the very rich people being able to do tourism but also the masses, the aristocracy being more often replaced by the modern business men who started to form an important market for the hospitality industry. To meet their needs the hotels had to keep their high standards and to try to offer them services as personalized as possible (Page, 2009).

Business hotels have no problem because of seasonality; their clientele can afford higher room rates, consuming also more on food and beverages on the spot. The most practiced methods of marketing are the loyalty programmes, hotels offering corporate rates to their usual costumers (Clarke & Chen, 2007).

The business traveller is a segment of tourists who provides a higher income even if they get a corporate rate. Additionally, they provide extra income to the businesses by making use of the annexed services offered by the hotel (restaurant, business centre facilities, and health facilities) (Kotler et al., 2010).

The methods of expanding on foreign markets vary from country to country and they can be: franchising, licensing other companies offering them the right to use the company's logo, name and trademark, building new properties on these countries, through mergers with local hotels or loan management agreements (Page, 2009).

With the expansion of the globalization phenomena with all its components: internationalization, liberalization, universalization, Westernization or modernization and de-territorialisation, it becomes easier and easier for the international organizations to expand on other markets (Scholte, J. cited in Reisinger, 2009). The tourism sector makes no exception (Herman et al., 2016a).

Tourism like any other economic activities creates economic dependencies between countries hence it influences the foreign policy towards specific countries. Furthermore, it is correlated with peace, it is a generator of peace because of the dependencies created by engaging a series of different sectors which need to be developed for tourism to can grow, but also needs a peaceful climate to develop and grow at its highest potential (Edgell et al., 2008; Page, 2009).

As a tool for building ties, tourism contributes to the cooperation between states by developing international tourism policies and encouraging understanding of cultures; as well as cordial relations between countries and cooperation. Tourism industry is a complex international phenomena encompassing societies, cultures, environments and sustainable development, economies, states, and their foreign policy initiatives (Edgell et al., 2008; Herman et al., 2016b).

METHODOLOGY

The first step was to choose a hotel company based in the United States specialised chiefly in offering accommodation to international bussines people. Analyzing the literature regarding business tourism and the expansion on foreign markets were drawn the major lines of expansion and the map; describing the expansion in 3 different steps: before 2000, between 2000-2010 and after 2010. Moreover, it was tried to explain the reasons of opening a hotel in this locations linking it to the spread of the United States soft and economic power. The data used in analysing the expansion on foreign markets consists: textual references, graphs and numerical data (Baías et al., 2010; Herman et al., 2016a; Ilieş et al., 2016). On mapping the punctual expansion of the Ritz-

Carlton® it was used the background of the World Topographic Map on which was superimposed the textual, numerical and graphical information (figure 1). The processing was done in ArcMap 10.3.

THE EXPANSION ON FOREIGN MARKETS OF THE RITZ-CARLTON®

The brand was created by Caesar Ritz, a Swiss born in 1850 in Niederwald, Switzerland. At the age of 19 he became the manager of a restaurant in Paris before previously being fired from various jobs in the hospitality industry. Soon after, he started to work as an assistant waiter at Voisin where was taught the art of food serving and polished his skills in delivering qualitative services to the costumers (for example in 1871 due to a food scarcity in Paris, the restaurant bought meat of the elephants slaughtered by the local zoo and served it to their high class guests who were impressed). After revitalizing two hotels, one in Luzern and the other one in London, he decided to open his own hotel and succeeded in doing so in 1898, opening the Ritz Hotel in Paris. At the beginning of the 1900s, he built the Carlton Hotel in London and also opened the Ritz Hotel in Piccadilly, creating also Ritz-Carlton Management Cooperation which was composed by financiers and hoteliers (Michelli, 2008).

The first hotel opened under the aegis of The Ritz-Carlton Management Cooperation was in 1910, in New York, an American investor, Robert Goelet paying 5000 \$ to use the name. In the 1920s were opened in the same manner The Ritz-Carlton Philadelphia, Montreal, Atlantic City and Boston, the hotel expanding its business on the North American continent. The Great Depression of 1929 and the WWII affected the business, and the hotels lost its clientele, facing financial difficulties. After the end of WWII only 3 hotels survived: the Ritz-Carlton Boston, Paris and London. The last two hotels started to adapt to the new economic climate and its main clientele became represented by international business men, especially from the U.S., replacing the aristocracy from the previous period (Michelli, 2008).

In 1983, William B. Johnson bought the rights to the name of the Ritz-Carlton Boston, restored it and setted up the Ritz Carlton Hotel Company as known in our days, with headquarters in Atlanta. He built partnerships with other investors and started the expansion of the hotel on foreign markets starting the 1990s. The Company expanded slowly until the beginning of the new century when 49% of stocks were bought by Marriot International and after moving the headquarters from Atlanta to Washington D.C. followed new plans of expansion through different means: construction of new hotels, franchising, loan management, or investment partnerships (Michelli, 2008).

One of the key drivers of the expansion on the other markets is the international connectivity between the USA and the other markets, which reflects the foreign policy of the USA. The connectivity is driven either by international trade and production, international labour migration, shared culture and values, and the absence of such connectivity can affect negatively the tourist flows, hence the incomes of those hotels (Cooper & Hall, 2008).

Marriot International manages more than 1300 hotels of different brands which provided them the access on new markets such as the Chinese, Russian, Japanese, Indian, or Turkish market for example. The Ritz-Carlton is one example, being a hotel for international businessmen and providing access to international markets with an intense economic activity (Reisinger, 2009).

The Ritz Carlton is linked to luxury travel being mainly for wealthy tourists or corporate travellers, but some locations can be also for the ones looking for a lifestyle trip or tourists who choose to travel only occasionally, when they do it choosing exquisite destinations (Page, 2009).

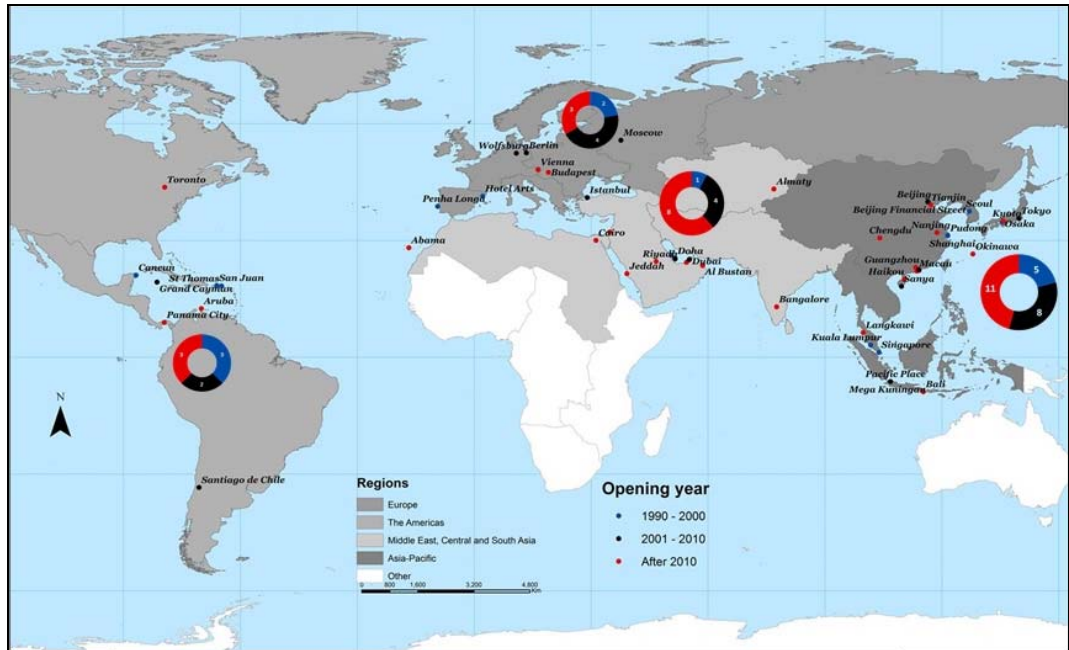


Figure 1. The expansion of the Ritz-Carlton®
(Data source: The Ritz-Carlton website: www.ritzcarlton.com, 2016)

The expansion on the Latin American and Canadian market

Latin America and Canada are markets where the hotel company expanded in the first phase, in the period 1990 - 2000. Even though their first hotel on a foreign market was not set in this area, most of the hotels present nowadays here are from the last century or have been built in the first decade of the new century.

In Canada and Mexico, after all the countries were part of the North American Free Trade Agreement (NAFTA), starting 1992, the trade was liberalized so that the United States started to invest in the neighbouring countries. Even though they are important economic partners for the United States, the Ritz-Carlton is present only in one location in each of those countries: Toronto and Cancun, with plans to open a new hotel in Ciudad de Mexico.

Central America and the Caribbean, the backyard of the US hosts a number of 4 hotels either in luxury destinations or in fiscal paradises: Cayman Islands, Aruba in the Dutch Antilles, the Virgin Islands, and Puerto Rico, the last two being territory of the United States of America.

In South America there is only one the Ritz-Carlton, in Santiago de Chile, Chile being known since the Cold War as the neo-liberal experiment of the Chicago School, having close economic relations with the United States.

The expansion on the European market

Even though it is present on the European market since the 1990s when they opened in Sintra a luxury destinations due to the tradition of luxury tourism practiced in this area of Portugal; and by operating Hotel Arts, Barcelona under its aegis, the Ritz-Carlton started to expand punctually only in the second part of the 2000s and mostly in locations with a high number of tourists in general, not only for business purposes.

One of the few locations chosen for opening a hotel to serve as an accommodation point for the international business people travelling to it, and mainly for the U.S. business people is Wolfsburg, Germany, actually being the first Ritz-Carlton opened in Germany; not one of the main touristic attractions of Europe, but the place where Volkswagen and other corporations have their headquarters.

The other locations such as: Vienna, Moscow, Berlin, or Istanbul have a mixed role; the high number of visitors attracted by those cities, but also because of the investments held by the US multinationals in these locations.

The expansion on the Middle Eastern, Central Asian and South Asian market

The African, Central Asian, and South Asian market is only a recent target for the hotel, having only 3 hotels opened starting from 2013: in Almaty, Kazakhstan, in Bangalore, India and in Cairo, Egypt.

The Middle Eastern market is attractive because of the businesses with oil in the area and the important financial resources of these countries, especially of those Gulf Monarchies. The first hotel was opened in 1995, in Manama, Bahrain, subsequently being followed by other hotels in the period 2000-2010 in countries with strong economic and diplomatic ties with the United States: Saudi Arabia, Qatar, United Arab Emirates, and Oman.

The expansion on the Asia-Pacific market

International tourism is dominated by western European destination while the market of the Asia-Pacific region is growing faster than the European or North American destinations. The Asia-Pacific Economic Cooperation has an working group on tourism which worked on a set of specific policy goals to enhance employability, investment and development in tourism, one of these goals being to remove the obstacles to the expansion of tourism business and investment (Edgell et al., 2008).

The Chinese market is the most representative of the South-East Asian economies, the hotel group opening already 11 hotels, especially on the Chinese coast, starting with the Ritz-Carlton Shanghai in 1991 and developing intensely after 2000, with new locations in emerging Chinese cities after 2010.

In Japan, one of the main economic partners and military allies of the United States, there are 4 hotels, the first one being opened in 1997 in Osaka, and with the notable presence on the island of Okinawa.

The other emerging South-Asian economies are represented as well, in the last 25 years the hotel expanding on the Malaysian, Indonesian, Singaporean and South Korean market.

CONCLUSIONS

Analysing the spatial and temporal expansion of the hotel on foreign markets we have drawn the following conclusions based on the locations chosen for opening a new hotel in the set periods of time:

- before 2000 the company expanded on all the analysed regions, opening a number of 11 hotels from the total of 54, 6 of them being located in South-East Asia, and the rest scattered across the globe in touristic destinations such as: Barcelona, Sintra, Cancun, San Juan, and the Virgin Islands.

- in the period 2001-2010 there were opened a number of 18 hotels, 8 of them in the same emerging South-East Asian economies, noting the increased number of hotels in Europe located in economic hubs such as: Wolfsburg, Istanbul, Berlin, and Moscow. In the same period, in the Gulf region there were opened hotels in the United Arab Emirates and Qatar.

- after 2010 a number of 25 hotels were inaugurated or have been projected to open in various locations following the same patterns, but at a larger scale: more hotels opened on the Eastern shore of China and in the Asian Tigers; also in the Middle East a number of 6 hotels were opened in Saudi Arabia, Oman, Egypt, United Arab Emirates, and Israel; and the company started to be present in Central Asia (Kazakhstan) and India (Bangalore) as well.

It could be noticed the incremental expansion on the foreign markets from 1990 when the hotel became Ritz Carlton Hotel Company. In each of the analysed periods of time the company focused on the South-East Asia market; the fastest growing region, being the one towards which the American foreign policy pivoted in the last 30 years.

While the Gulf region was another strategic investment poll, after 2010 being opened a number of 8 hotels, due to the consolidated position of the United States and the US based foreign companies in the region; the other traditional regions such as Latin America and Europe have developed in a more balanced manner and the driving forces were a combination of high touristic capital and business opportunities.

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