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Types of affiliation in the hotel sector – an insight into the Portuguese experience

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Abstract

This study analyses the types of affiliation in the hotel sector and identifies the factors that affect the choice of affiliation. Accordingly, this study's objectives are: *i*) to analyse managers' perceptions regarding the most appropriate type of affiliation; and *ii*) to uncover the factors that influence the type of affiliation they choose. Data was collected through a questionnaire. Findings show that management contracts and marketing consortia are adequate affiliation types for four- and five-star hotels. The terms of the contract, followed by the chain's affiliation strategy, were the most important factors that most influence this choice. Limitations, theoretical and managerial contributions are presented in the end.

Keywords: hotel sector, affiliation type, Portugal

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1. Introduction
Small independent hotels face critical decisions that impact business competitiveness and customer awareness; one such decision is to remain independent or to affiliate with a hotel chain (Almeida, Sheppard, Costa, Simões & Costa, 2020). Hotels that want to affiliate face yet another dilemma, namely the type of affiliation that best fits their profile and needs. Franchising (Khan, 2016), management contract (Turner, Hodari & Blal, 2016), marketing consortium (Ayazlar, 2016), and leasing contracts (Souza, Salazar, Moraes, Leite & Ivanova, 2016) are the types of affiliation applied in the hotel sector (Root, 1994). These contractual non-equity modes involve less financial investment and management interference than equity modes, such as full ownership and joint ventures, require greater investment and restricted management freedom.

Despite the importance of the affiliation process, little is known in terms of hotel managers' perceptions about this process. The exception to this is Ivanova and Ivanov's study (2015). This research aims at understanding what Portuguese hotel managers think about the affiliation process, as well as their preferences about different types. Hence, the objectives of this study are: *i*) to analyse managers' perceptions regarding the most appropriate type of affiliation; and *ii*) to uncover the factors that influence the type of affiliation they choose. Category, size, and affiliation are decisive structural factors in the adoption of managerial operations (Contactor & Kundu, 1998b). This research will explore managers' perceptions according to category (number of stars), affiliation (independent or affiliate), and the size (number of rooms) of the hotel.

In the hotel sector, the types of affiliation which demand less investment are frequently found (Almeida *et al.*, 2020; Holverson & Revaz, 2006; Ivanova & Ivanov, 2015; Slattery, Roper & Boer, 1985). There are two parallel realities in this process: the expansion of large companies with resources and the expansion of small companies that have to find ways to respond to the market and grow by seeking partnerships and alliances, since they do not have the same resources as larger companies. In the hotel sector, affiliation through a franchise, marketing consortium, or lease is a solution frequently sought by small and independent hotels to increase their sales and international visibility, while maintaining independent management.

This research intends to verify if the affiliation to a hotel chain gives advantages to the member hotels, access to resources, brand recognition, access to markets, among others. Once they use the brand of the chain. However, each type of affiliation has different advantages and disadvantages for the member hotels, so managers need to know them to anticipate their decision. And different factors that influence the choice of a type of affiliation.

This research seeks to contribute to an understanding of Portuguese hotel decision-makers' perceptions of the types of affiliation and the most important factors influencing their choice. The European hotel market is fragmented with branded properties representing less than 20% of the market (Carroll & O'Connor, 2005). Portugal is no exception, and it is also mainly constituted by small and independent hotels, so this is the focus of this research.

The paper is organised as follows: the first section synthesizes the affiliation process in the hotel sector; subsequently, the different types of affiliation recognized as being the most relevant for the hospitality industry are presented and discussed. The research methodology is then discussed and followed by a presentation of the data collection methods and the development of the instrument. The last section presents the results, findings, and discussion, and the study concludes with suggestions for future research on the topic.

2. Literature Review

2.1. Types of affiliation

In recent decades, research regarding types of affiliation has increased significantly. The main topics cover the performance of hotel chains, competitive advantages for affiliated hotels compared to independent hotels, and international marketing strategies (Almeida *et al*., 2020; Andreu, Claver & Quer, 2017; Falk, 2016; Ivanova & Ivanov, 2015; Litteljohn & Roper, 1991; Slattery *et al*.,1985; Sufi, 2008 and Woo, Assaf, Josiassen & Kock, 2019).

Affiliation is commonly used when companies aspire to attract international segments and expand the business but are not willing or able to invest in the required infra-structures (Almeida *et al*., 2020). In such cases, hotels affiliate through different kinds of partnerships, such as franchising, management contracts, marketing consortium, and leasing contracts. These differ in elements such as contract terms, duration, fees, and control of the business. As these partnerships are usually more informal, demand less investment, and allow for a benefit gain from resources. Managers tend to prefer these types of affiliation (Almeida *et al*. 2020, Holverson & Revaz, 2006, Ivanova & Ivanov, 2015; Slattery *et al*., 1985). Prior research has identified the following types of affiliation: i) *franchising*, studied by Miller and Grossman (1990), Daszkiewicz and Wach (2012), and in the hotel sector by Alon *et al*. (2012), Brown & Dev (1997), Contractor and Kundu (1998), Martorell-Cunill & Forteza (2010); ii) *management contract*, previously studied by Litteljohn and Beattie (1992), Goddard and Standish-Wilkinson (2002), and in the hotel sector by Kruesi and Zámborský (2016), Niewiadomski (2014); (iii) *marketing consortium*, examined by Morrison (1998), Souder and Nassar (1990), and in the hotel sector by Almeida (2018), Ayazlar (2016), Slattery *et al*. (1985); and (iv) leasing contract analysed by Lelacqua and Smith (2012), and in the hotel sector by Huang and Chathoth (2011), and Souza *et al*. (2016).

2.1.1. Franchising

"A franchise agreement is a contract between two (legal) firms, the franchisor, and the franchisee. The franchisor is a parent company that has developed some product or service for sale; the franchisee is a firm that is set up to market this product or service in a particular location. The franchisee pays a certain sum of money for the right to market this product" Rubin (1978, p. 224). International Franchise Association (IFA, 2021) adds that franchising is a form of organisation based on a legal agreement between the parent company (franchisor) and a local business owner (franchisee) to sell a product or service using a developed brand owned by the franchisor. The franchisor assigns intellectual property to the franchisee through a fixed payment and a variable payment through sales, over a certain period (Miller & Grossman, 1990). There are several examples of franchising agreements in lodging chains, such as the Holiday Inn, Best Western, Quality Inn, Sofitel, Hyatt, Cendant. These companies use franchising agreements to grow in domestic and international markets (Marler, 1993). This is an important discussion topic, as different types of entry and typologies contribute to increased competitiveness in the sector (Alon *et al*. 2012; Davis, Lockwood, Alcott & Pantelidis, 2018). Brown and Dev (1997) examined the perspective of general managers about their hotel's relationship with the franchisor. The authors found that strong partnerships required sacrifices on both parts, the hotel and the franchisor. Despite this, there are substantial payoffs in terms of hotel performance, as well as relationship performance.

Daszkiewicz and Wach (2012, p. 58) pointed out that, in this type of affiliation, positive factors outweigh negative ones. From the perspective of franchisees, negative factors relate to the potential difficulties in maintaining common standards and quality. In contrast, positive factors are associated with reaching large and distant markets. Franchising is considered a low-risk type of business; additionally, there are networks, counselling, and support for franchisees. O'Neill and Belfrage (2005) state that if revenue is not higher than costs for a specific period, expectedly the franchisee is not happy with the relationship with the franchisor, in which case there will be a propensity to look for new forms of affiliation or, in some cases, the decision may be to become independent.

2.1.2. Management Contracts

Contract management is "a formal arrangement whereby a company hires an outside organization to provide comprehensive management of the company's operations (Alexander & Morrisey, 1989, p. 260). Management companies offer their services to hotel owners who do not have the expertise or time to manage the unit (Hua, De Franco & Abbott, 2020). That owner does not make operational decisions but is responsible for providing the required capital and for paying expenses and debts. The management company receives payment for its services and the owner receives the profits after deducting costs. The payment system for management contracts consists of a basic rate of fixed and profit-dependent fees, leading to the development of three general payment systems: a basic rate (a percentage of the total hotel turnover), a base rate, and an incentive rate (percentage of gross operating profit, GOP) and a basic or incentive rate, depending on the larger of the two. Management contract fees can be classified into four categories: technical-assistance fees, post-opening management fees, pre-opening management fees, and system-reimbursable expenses (Eyster & deRoos, 2009). Incentive fees are usually found in the range of 5 to 30% (Hua *et al*., 2020).

Management contracts may also be a more viable type of affiliation in the future, as owners have more knowledge about the business. One of the reasons for this to happen is the consolidation trend in the industry. With decreasing competition, it becomes more difficult to negotiate with operators (Perret & Balyozyan, 2017). From the hotels' perspective, the main disadvantage is the relatively low profitability (Daszkiewicz & Wach, 2012). Perret and Martin (2017) highlighted the following negative factors affecting the growth of hotel management contracts: higher market and operating risks; no control over hotel operations; risk of operating loss; lack of control over brand reputation and bound to brand-imposed global initiatives. Nonetheless, advantages are also considered, namely: access to development, design, and operations support from the brand; no need for effort from the operations team or management; easier financing with a strong brand and operating company; and limited experience required. The owner bears all risks (including employment contracts). Hotels with management agreements form a significant portion of major hotel chain portfolios in Europe, and slightly less so in North America (Perret & Martin, 2017).

2.1.3 Marketing Consortium

A hotel consortium is a type of hotel company that does not own, franchise, or manage hotels; instead, it is a hotel alliance. This alliance operates independently and seeks affiliation with a centralized organization to take advantage of economies of scale, sharing of business costs, joint marketing activities, and greater visibility in the market, without giving up total control over its operations (Ayazlar, 2016; Pizam & Holcomb, 2008). In addition to the marketing component, services offered by consortia include the management of distribution channels and occasionally employee training (Byrne, 1993). However, services offered differ between consortia in type and complexity.

A hotel marketing consortium is considered a soft brand. The term 'soft brand' was first used by Slattery, in 1991, to characterize the branding strategies of large hotel chains, for which it is difficult to guarantee a consistent brand to all their properties. 'Soft brand' contrasts with 'hard brand' which refers to hotel chains whose products and services are standardized and more consistent (Pizam & Holcomb, 2008). Integrated hotel chains effectively use employee recruitment and training programmes, concerted pricing, sharing of advertising resources, technological equipment, and marketing techniques. The popularity of these groups stems from the fact that their members operate independently to achieve marketing benefits without belonging to the hotel chain and without the inherent obligations (Goeldner & Ritchie, 2012).

The hotel consortium emerges from the marketing consortium (Slattery *et al.*,1985). Consortium members are essentially independent hotels. Gaining access to a corporate marketing department is the main argument used for affiliation, as it allows members to compete with end-users in similar conditions to hotel members. A hotel marketing consortium is a group of hotels with management and independent properties that come together, essentially in the field of distribution and communication. It is a formal cooperation agreement between companies that does not involve the sharing of capital or the creation of a new legal entity: the parties maintain their legal and strategic autonomy (Silva & Sousa, 2009). Souder and Nassar's (1990) research on consortia discussed positive and negative factors of this type of affiliation. Their study reports that being part of a consortium leads to positive outcomes, such as cost and risk spreading; privileged market information; access to technology for hotels that cannot afford it; and management training, among others. Conversely, the most significant negative outcomes identified are the loss of identity; bureaucracy; structure complexity, longer response time; cultural barriers, and fees, among others.

2.1.4. ***Leasing Contract***

A leasing contract is a contract between a lessor and a lessee. Alvarez-Ferrer, Campa-Planas, and Gonzales-Bustos (2018, p. 82) define the leasing contract "as an agreement between the owner and a management organisation for the lease of a hotel business, and not just the establishment with all the facilities, properties, and furnishings". The lessor allows the lessee rights to the use of a property owned or managed by the lessor for a period of time. The agreement does not provide ownership rights to the lessee; however, the lessor may grant certain allowances to modify, change, or otherwise adapt the property to suit the needs of the lessee (Souza *et al.*, 2016). According to O'Mara (1999), the leasing decision is influenced by the physical features of the facility, local property market conditions, the financial position of the company, and the company context. Ghyoot (2003) advises that leasing can be used when lessees are faced with: short-term operations, cash-flow conservation, uncertainty, investment in a new and uncertain market, and owner mobility. From the lessors' perspective, the disadvantages are: no benefit if/when the property is more profitable than expected; no control over the hotel's operations; and leases are more difficult to terminate than management contracts because they create a vested interest in the property for the operator. The advantages for lessors are no operational responsibilities; it incurs minimal financial risk, especially if the hotel company is reliable and retains the title to the property and the residual value created at the end of the lease (Lelacqua & Smith, 2012). However, leasing is not a frequent option in the hotel sector (Martorell-Cunill *et al.*, 2012).

2.2 Factors that influence the choice of type of affiliation from the perspective of individual hotels

Generally, affiliation to a hotel chain could help members receive marketing support, gain popularity through the image of the brand and reduce operational costs (Whitla *et al.*, 2007; Xiao *et al.*, 2008). Andersen (2000), Contractor and Kundu (1998), Holverson and Revaz (2006), Ivanova and Rahimi (2016), Jiang and Peng (2011), Miguel (2001), and O'Neill and Carlback (2011) have described the variety of factors on which affiliation depends. From the perspective of affiliated hotels, these factors include access to more diverse communication channels; brand-associated benefits; more professional management support; lower operating costs, since these costs are divided among the members and are diluted in the fees; continuous improvement of human resources with better opportunities for training; and diversified career opportunities for employees.

The factors that motivate the choice of a specific type of affiliation may vary per country, as well as the duration of the contract (Almeida, 2018). Comparing the two types of affiliation, consortia, and franchising, it is possible to identify two very different types of management. Consortia contracts usually last for one year, and new members must pay an entrance fee (Almeida, 2018). The duration of a franchise contract is 10 or more years (Brickley, Misra & Horn, 2006; Lafontaine & Blair, 2008). For the average European independent hotel, membership in a consortium may be a good option. While independent hoteliers pay between 7% and 10% of their annual franchise revenue to an integrated chain, voluntary affiliations usually cost between 1% and 2% (Brickley *et al*., 2006; Lafontaine & Blair, 2008). The annual franchise fee charged by an integrated chain represents only the 'tip of the iceberg' compared to the total costs required to maintain and renovate a property according to the standards of a chain. Another advantage is the duration time of the contract, as affiliation can take one to two years, unlike the franchise systems or management contracts, which usually extend over decades (Marvel, 2003b). In terms of duration of contracts, international hotel marketing consortia, for example, may vary from one to three years (Holverson, Holverson, Mungall & Centeno, 2010).

Although the affiliation process has been studied extensively in other sectors, in tourism this is an under-studied theme. There are exceptions, such as Ivanova and Ivanov (2014), who researched non-equity modes and identified affiliation types in hotels in Bulgaria. The authors note that all types of affiliation are appropriate to the Bulgarian context, except for leasing contracts and marketing consortia, which are considered the least appropriate types of affiliation. They also identified the factors considered most important when choosing an affiliation type and the results are not disparate, on the contrary, they are highly similar among the respondents. However, ‘experience and skills of hotel managers’, ‘consulting foreign representatives (REPs)’, ‘contract terms’, ‘contract fees’ and ‘contract duration’ are the main factors determining the selection of the affiliation type.

When considering affiliation to a brand hotel, hoteliers are particularly concerned with fees and royalties (Holverson & Revaz, 2006, p. 407). Later, Holverson *et al*. (2010, p. 40) indicated that hotel decision-makers perceived the largest risks associated with affiliation to be limited positioning and targeting and high fees/commissions, followed by a lack of independence for the hotel. Ivanova and Ivanov (2014) used agency theory to analyse the important factors which hoteliers considered before an affiliation decision. These items are related to contracts. In a contractual relationship, there are always at least two parties. As stated by Ivanova and Ivanov (2016, p. 14): “In a franchising agreement and marketing consortium the chain is the principal, while the hotel is the agent. In management contract and lease the roles are reversed”. The type of relation between the two parties depends on the type of contract and its technical elements, such as the fees, the duration, and the terms of the contract. Usually, these elements are negotiable and differ according to the type of affiliation.

Ivanova and Ivanov (2015) show that the preferences of Bulgarian hotels are related to ‘contract fees’, ‘contract duration’, and ‘terms of contract’. Carlbäck (2012) states that the process of choosing a type of affiliation is related to the costs of the company. This is in line with Ivanova and Ivanov’s (2015) findings, as managers frequently express concern regarding fees. They suggest that potential hotel chain decision-makers should present costs in the proposals to potential members in the context of revenue growth and emphasize the cost-benefit ratio. According to Brown and Dev (1997, p. 32), “a contract defines what goods or services each firm provides to the partnership and what each can expect to gain from the partnership. It can also cover several other issues not directly related to any particular transaction”. Sometimes ‘term of contract’ can be more important than the contractual fees. If the terms of a contract are flexible, it can help members achieve their goals according to their needs and offer support in more difficult periods. Goddard and Standish-Wilkinson (2002) conducted a study on hotel management contracts that compared the different terms of branded hotels presented in the Middle East. In the same region, there are different types of contractual terms, and the duration period varies from 10 to 20 years. This study helps to explain the importance of contract duration. Even among marketing consortia, there are different duration periods. The duration of consortium contracts is shorter than management contracts (Holverson *et al*., 2010). According to a study conducted by HVS (2017), the average duration of the initial term of management contracts in Europe is 21 years with renewal options. However, the same report states that luxury hotel brands, such as the Four Seasons and the Ritz Carlton, pursue longer initial terms – from 30 to 50 years (Perret & Balyozyan, 2017).

3. Methodology

3.1 Data Collection Methods

Between January and October 2016, the target population of this study was identified: 4- and 5-star hotels in Portugal. The inclusion criterion was to be operating on either mainland Portugal or the islands. The sampling frame was built from three different databases: i) National Register of Tourist Enterprises - RNET; ii) the directory of the Portuguese Hotel & Travel Guide, whose database is powered by information from Turismo de Portugal, the Portuguese Hotel Association (AHP) and the Association of Portuguese Hotel Directors (ADHP); and iii) the research project 'Accommodation of the Future' by the Portuguese Association of Hotels, Restaurants and Similar Businesses (AHRESP) and Idtour (Tourism consultant).

Overall, 688 4 and 5-star hotels in Portugal were identified with 76,543 rooms in total. Of these, 568 hotels are 4-star (with 52,166 rooms) and 120 hotels are 5-star (with 14,662 rooms). The email addresses of the entire 688 managers were collected, and an e-mail was sent through the survey platform (surveymonkey.com). Data collection took place between October 2016 and March 2017.

The questionnaire was sent to 688 hoteliers, of which 373 responded. Overall, 46 responses were excluded: 26 were excluded since they were duplicates (two were received from the same hotel) and 20 were excluded as they did not answer at least 50% of the questions. Therefore, 327 valid responses were included in the analysis, representing a response rate of 47.5%. Overall, the surveys represented a total of 87 five-star hotels, with an offer of 9757 rooms, and 240 4-star hotels, equivalent to an offer of 22,664 rooms, representing a total of 41,320 rooms. Data analysis was conducted using the IBM SPSS 19.

3.2 Data Collection Instrument

To develop the questionnaire '*Coopetition in 4- and 5-star hotels in Portugal*' (Almeida, 2018), a pilot study was conducted to compare opinions and validate the concepts to be introduced in the survey. The pilot study results were sent to travel experts (professionals working in the hospitality industry for over 15 years) who reviewed the contents and gave their suggestions for improvement. Based on their comments and opinions, the questionnaire was refined. Additionally, the pilot questionnaire showed that respondents were familiar with the type of affiliation, hence it was possible to address them in the final questionnaire. Furthermore, it helped validate the importance of hotel marketing consortia for small and independent hotel companies.

The final questionnaire with twenty-five open and closed questions. For this paper, two questions were analysed: Q1 "Which of the following types of affiliation do you consider most appropriate for your hotel?". The response options included are presented in Table 2. Q2 was "What are the factors that most influence the choice of affiliation?". Response options are presented in Table 4. Both questions used a five-point Likert-type scale. The higher the score, the higher the suitability (Q1) and the higher the influence (Q2). The first scale measured the level of suitability from 1 (totally unsuitable) to 5 (totally suitable). As for the second scale, it measured the level of influence, with a scale from 1 (not influential) to 5 (extremely influential).

3.3. Sample Characteristics

The sample consisted of 327 4 and 5-star hotels in Portugal. Within this categorisation of four and five stars, three distinctions were made: size (small and large), independent/affiliated (affiliation), and the level of service (number of stars). According to the World Tourism Organisation (2000), a small hotel is a property with less than 50 rooms, employing less than 10 employees, and often located in peripheral locations. A large hotel was assumed to have more than 50 rooms. In the affiliation agreement, the owner makes a voluntary decision to be part of a consortium by paying an annual fee to this exchange company for their service. For hotel category (4- and 5-star hotels), shown in Table 1.

Table 1: *Sample characteristics*

Size	N	Affiliation	N	Category	N
Small	114	Independent	139	4 stars	225
Large	213	Affiliated	188	5 stars	102

Note:Total sample size: n = 327

3.4 Statistical Analysis

To determine the perception of types of affiliation, a descriptive analysis of the frequency of the responses was conducted. Chi-square tests were used to assess whether there was an association between hotel dimension (small vs. large hotels) and the level of importance of different factors (extremely influential, very influential, not very influential, not influential) to the affiliation type choice. To estimate statistical significance, the p-value was set at < 0.05 (two-tailed). Pearson correlations were used to analyse the association between the degree of suitability of the different types of affiliation.

4. Results

4.1 Degree of suitability of the different types of affiliation

When faced with a decision on affiliation, the types most frequently regarded as *highly suitable* and *totally suitable* are the 'management contract' (43.8%) and 'marketing consortium' (50.5%), as shown in Table 2. Also, 'leasing' (54.8%) and 'franchising' (39.3%) are the types most frequently regarded as *unsuitable* and *totally unsuitable.* Moreover, marketing consortium and joint venture are the less frequently regarded as unsuitable and totally unsuitable types of affiliation.

Table 2: *Degree of suitability attributed to different types of affiliation*

	Marketing Consortium	Leasing	Management contract	Franchising	Joint venture	Full ownership
	%	%	%	%	%	%
Totally suitable	18.8	1.4	13.3	5.7	5.7	18.1
Highly suitable	31.7	13.3	30.5	15	23.7	14.7
Suitable	31.3	30.5	33.2	40.1	43.4	29.7
Unsuitable	13.8	36.7	35.8	30	22.4	28
Totally unsuitable	4.6	18.1	11.8	9.3	4.8	9.5

Note: * Sample size: n = 327; χ2=69.419, df=20, p<0.001

Table 3 shows the correlation between the degree of suitability of the types of affiliation. In this case, there is a positive association between the degrees of the suitability of full ownership of the chain with a franchise, management contract, and leasing; a joint venture with all other types of affiliation; franchising and marketing consortium with all types of affiliation, except for full ownership; management contract and leasing with all other types of affiliation.

Table 3. *Correlation between the suitability and the type of affiliation.*

	Joint venture	**Franchising**	**Management contract**	**Marketing consortium**	**Leasing**
Full ownership	0.283**	-.006	0.179**	-.056	0.184**
Joint venture	1	0.320**	0.206**	0.214**	0.301**
Franchising		1	0.289**	0.383**	0.413**
Management contract			1	0.172*	0.368**
Marketing consortium				1	0.315**

Note: Levels of significance: *** p<0.001; ** p<0.01; * p<0.05

4.2 Degree of influence of the different factors influencing the choice of types of affiliation

To identify the degree of different factors in the affiliation choice, Friedman's test was chosen because the analysis includes 3 or more paired samples (in this case 7 dependent samples).

The factors have significant differences in the degree of influence in the affiliation choice (Friedman's test; $\chi2=178.330$; $p=0.000$). Through the analysis of table 4 it is possible to verify that:

- *The chain's pre-defined strategy for affiliated hotels* has a significantly higher influence comparative *to the contract fees* (p=0.009); *the duration of contract* (p=0.000); *the willingness of the owner to maintain control* (p=0.023) and *the consulting of REPs* (p=0.000).
- The factor *terms of contract* have a significantly higher influence comparatively to *contract fees* (p=0.038), *duration of contract* (p=0.000), and the *consulting of REPs* (p=0.000).
- The factor *the experience and capacity of the hotel manager* have a significantly higher influence comparatively to *the duration of contract* (p=0.001), and *the consulting of REPs* (p=0.000).
- The factor *the willingness of the owner to maintain control* has a significantly higher influence than *the consulting of REPs* (p=0.000).
- The factor *the contract fees* have a significantly higher influence than *the consulting of REPs* (p=0.000).
- The factor *duration of contract* has a significantly higher influence than *the consulting of REPs* (p=0.045).
- Between the other pairs of factors, no significant differences were found (p>0.05).

Concluding, it is possible to verify that the factor *consulting of REPs* have a significantly smaller influence than the other factors (p<0.05).

Table 4. *Degree of influence of different factors in the affiliation type choice*

Sample 1	***versus***	**Sample 2**	**Test Statistic**
The consulting of REPs	*versus*	The duration of contract	0.563*
The consulting of REPs	*versus*	The contract fees	0.879***
The consulting of REPs	*versus*	The willingness of the owner to maintain control	0.926***
The consulting of REPs	*versus*	The experience and capacity of the hotel manager	-1.301***
The consulting of REPs	*versus*	The terms of contract	1.451***
The consulting of REPs	*versus*	The chain's pre-defined strategy for affiliated hotels	-1.525***
The duration of contract	*versus*	The contract fees	0.316
The duration of contract	*versus*	The willingness of the owner to maintain control	-0.363
The duration of contract	*versus*	The experience and capacity of the hotel manager	-0.738**
The duration of contract	*versus*	The terms of contract	-0.888***
The duration of contract	*versus*	The chain's pre-defined strategy for affiliated	-0.962***
The contract fees	*versus*	The willingness of the owner to maintain control	-0.047
The contract fees	*versus*	The experience and capacity of the hotel manager	-0.422
The contract fees	*versus*	The terms of contract	-0.572*
The contract fees	*versus*	The chain's pre-defined strategy for affiliated hotels	-0.646**
The willingness of the owner to maintain control	*versus*	The experience and capacity of the hotel manager	-0.375
The willingness of the owner to maintain control	*versus*	The terms of contract	0.525
The willingness of the owner to maintain control	*versus*	The chain's pre-defined strategy for affiliated hotels	-0.599*
The experience and capacity	*versus*	The terms of contract	0.150
The experience and capacity	*versus*	The chain's pre-defined strategy for affiliated hotels	-0.224
The terms of contract	*versus*	The chain's pre-defined strategy for affiliated hotels	-0.074

Note: Each row tests the null hypothesis that the Sample 1 and Sample 2 distributions are the same. Asymptotic significances (2-sided tests) are displayed. The significance level is ,05.
a. Significance values have been adjusted by the Bonferroni correction for multiple tests. Levels of significance: *** p<0.001; ** p<0.01; * p<0.05

4.3 Differences in the perceptions of small and large hotels of the most influential factors when choosing an affiliation option

When considering the degree of influence for choosing an affiliation option, no differences were found concerning perceptions according to the size of the hotel, as presented in Table 5. Therefore, the size of the hotel is not a criterion that has an influence when choosing an affiliation type.

Table 5. *Degree of influence of different factors in the affiliation type choice, depending on the hotel size*

		Contract fees		The duration of contract		The terms of contract		The willingness of the manager to maintain control		The consulting of REPs		Hotel manager's experience		The chain's pre-defined strategy for affiliation	
		Small hotel	*Large hotel*	*Small hotel*	*Large hotel*	*Small hotel*	*Large hotel*	*Small hotel*	*Large hotel*	*Small hotel*	*Large hotel*	*Small hotel*	*Large hotel*	*Small hotel*	*Large hotel*
Extremely influential	%	18.5	25	12	18.60	24.20	34.7	20.70	22.70	6.50	13.60	15.20	25.80	25.60	30.70
Very Influential	%	35.9	41.70	37	44.30	47.30	40	44.60	46.90	39.10	30.40	58.70	52.10	50	47.90
Influential	%	39.10	30.70	47.80	33.00	28.60	22.60	30.40	22.20	48.90	49.20	23.90	18.60	24	19.80
Not very influential	%	6.50	1.60	3.30	3.10	0	1.60	4.30	6.20	5.40	4.70	2.20	2.60	0.00	0.00
Not Influential	%	1.5	25	12	18.60	24.2	34.70	20.70	22.70	6.50	13.60	15.20	25.80	25.60	30.70
χ^2		8.779		7.055		6.235		4.184		6.190		5.487		2.469	
p-value		0.067		0.133		0.182		0.382		0.185		0.241		0.490	

No differences were found in the perceptions of small and large hotel managers regarding the importance attributed to the different factors when choosing affiliation.

Table 6 below shows a significant positive association between the degree of influence of the different the type of affiliation.

Table 6 *Correlation between the influence and the type of affiliation*

	The duration of contract	The terms of contract	The willingness of the owner to maintain control	The consulting of (REPs)**	The experience and capacity of the hotel manager	The chain's pre-defined strategy for affiliated hotels
The contract fees	0.625**	0.553**	0.403**	0.333**	0.354**	0.434**
The duration of contract	1	0.615**	0.387**	0.388**	0.398**	0.477**
The terms of contract		1	0.447**	0.337**	0.394**	0.597**
The willingness of the owner to maintain control			1	0.435**	0.369**	0.401**
The consulting of (REPs)**				1	0.499**	0.495**
The experience and capacity of the hotel manager					1	0.602**

Note: Levels of significance: *** $p<0.001$, ** $p<0.01$, * $p<0.05$

The correlations are significant between types of affiliation. As an example, we present the strongest correlations. On average, the greater the influence of *contract f*ees, the greater the influence of *the contract duration* (0.625). On average, the greater the influence of the *duration of the contract*, the greater the *influence of the terms of the contract* (0.615). All correlations are positive only differing in the intensity with which they covariate.

5. Findings and Discussion

This research analysed different types of affiliation (Martorell-Cunill & Forteza, 2010) in the hospitality sector (Almeida *et al*., 2020; Ivanova & Ivanov, 2015; Ivanova & Rahimi, 2016; Kruesi, Hemmington & Kim, 2018). Hotel managers' motivations to affiliate relate to two dimensions: firstly, hotel managers have hotel know-how and are fearful to manage; secondly, they are investors, and the hotel is a financial product for them. These motives can explain the motivation for affiliation and the search for partners that best fit the business profile (Almeida *et al*., 2020).

This study found that 'management contract' and 'marketing consortium' are preferred by hotel decision-makers in Portugal. The less preferred types are 'leasing contract' 'and 'full ownership'. Ivanova and Ivanov's (2015) study showed that the most valued types of affiliation in the hotel sector in Bulgaria are 'management contract' and 'full ownership'. The least valued are 'marketing consortium' and ' leasing contract'. Therefore, for both Bulgarian and Portuguese decision-makers, the 'management contract' is the most suitable and the 'leasing contract' the least suitable type of affiliation. Additionally, the 'hotel marketing consortium' is more important for Portuguese decision-makers than for their Bulgarian counterparts. Besides cultural differences, Andreu *et al*.'s (2017) findings show that Chinese hotel chains are expected to choose contractual agreements, such as franchising or management contracts. These results are in line with the profile of the Portuguese hotel manager - conservative and risk aversive (Almeida *et al*., 2020). The consortium emerges as a reduced risk possibility and controlled investment. One of the reasons that may explain the reduced preference for 'full ownership' in Portugal is related to Portuguese legislation, as the licensing for a hotel may compromise the future profitability of the building due to delays and administrative constraints. Issues related to difficult access to funding, licensing and excessive bureaucracy make it difficult to choose other types of affiliation. The findings of Kruesi *et al*. (2017) highlight that to consider franchising, strict formal institutional regulation should be borne in mind. Strict regulation can make the process more complicated and lead managers to choose management contracts. However, the contribution of regulation to the clarification of rules could support the choice of type of affiliation, whether consortium or franchising.

Additionally, neither Portuguese nor Bulgarian decision-makers prefer the leasing contract. Souza *et al*. (2016) explain that in contrast with other types of affiliation, where owners can be directly or indirectly involved with hotel operations, in leasing contracts the owner has no say in the management of the hotel. Owners and decision-makers seem to be keen on running the business themselves. This is also in line with the findings of Martorell-Cunill *et al*. (2012), which emphasize that the hotel sector is not interested in the leasing modes.

The payment of royalties might be the rationale behind opting for franchising as the less suitable type of affiliation. Bulgarian hoteliers' preference for 'full ownership' might be explained by the hotel industry's characteristics, which has a low hotel chain development when compared with other European countries, such as the United Kingdom, France, and Spain (Horwath HTL, 2019). Less than 5% of hotels in Bulgaria are affiliated, so culturally, Bulgarian hoteliers are not used to affiliations (Ivanova & Ivanov, 2015). On the one hand, they prefer full ownership, which represents a higher potential for hotel marketing consortia, while on the other, there is a need for high investment for this option, namely the payment of entry fees, annual marketing fees, and reservation fees. Also, these fees may justify the Bulgarians' non-preference for marketing consortia. Furthermore, and according to Ivanova and Ivanov (2015), Bulgarian hoteliers do not identify any benefits regarding consortia. As previously stated, Portuguese hoteliers have no preference for full ownership. As for Portuguese hoteliers' preference for marketing consortia, this may explain why there are so many international Hotel Marketing Consortia with Portuguese members.

Portuguese hotel decision-makers are more concerned with the 'terms of contract' than the duration and fees. 'Terms of contract' was the most positively influential factor in the choice of the type of affiliation, followed by the 'chain strategy for affiliated hotels'. Ivanova and Ivanov (2015) show that the preferences of Bulgarian hotels lie with ‘contract fees', 'contract duration' and ‘terms of contract '. It can, however, be observed that contract items are important for both countries when analysing the factors which influence the choice of affiliation, which comes as no surprise. In the Portuguese situation, hotel managers tend to have long contracts (30 years maximum in this country) without a break-even clause. Concerning different factors that influence the choice of types of affiliation, for Portuguese decision-makers, a 'pre-defined chain strategy for affiliated hotels' is one of the most influencing factors in the choice of a type of affiliation. ‘Consulting of REPs’ is one of the factors with less influence in the choice of affiliation. This choice may be related to the importance of awareness regarding consortia and related issues, such as objectives, potential markets, and available resources, thus it is a concern that will impact the individual strategies of hotels. This is in line with the profile of Portuguese hoteliers, who are conservative and risk-averse (Almeida *et al*., 2020). Decision-makers appreciate having access to data and information and having previous knowledge of the counterpart company’s strategy’ before the decision to affiliate.

Since ‘terms of contract’ are equally important for Portuguese hotel decision-makers regardless of the size of the hotel, it is important to understand from a strategic perspective what the best consortium concept to apply in Portugal might be.

It is important to be aware of the different options of an affiliation strategy, namely fees and contract duration since these data inform decision-makers about future goals and the means to achieve them; potential targets (e.g., segment and nationality), brand positioning, and the future approach to expand business around the world.

6. Conclusion and further research

This research aimed at contributing to an analysis of the perception of hotel decision-makers concerning the type of affiliation that best suits them. Having access to international segments is easy for large hotels that have their own structure with financial, human, and legal resources, while it is less accessible to small hotels, hence the importance of being aware of their needs and constraints (Dev, 2012). Small hotel decision-makers have their own restrictions, such as limited access to resources and less capacity to invest, however, they still share the same goal of having international guests. In this case, a marketing consortium as a type of affiliation may be a perfect solution for them. This business model allows small hotels access to several tools and platforms to promote their brand internationally and to increase their room sales in overseas markets. Thus, the results of this research may offer support to small hotel decision-makers when drawing their conclusions, in addition to providing knowledge on what their competitors think about the same subject. This also applies to large hotels. It is important to acknowledge decision-makers’ thinking and strategy. It is also important for potential partners (consortium CEOs) to know what Portuguese hotel managers value when choosing a type of affiliation. This decision can be influenced by cultural factors, as some decision-makers may value specific managerial attributes while others, in the same position, may consider other factors. This is particularly relevant for hotel marketing consortia CEOs when signing contracts with potential members.

For hotel managers, how to affiliate is an important managerial decision. This research contributes to understanding hoteliers’ perceptions concerning this issue based on the case of Portugal. Firstly, the research presents the type of affiliation that best suits 4- and 5-star hotels in Portugal. Secondly, the most valued factors for Portuguese hotel decision-makers when choosing a type of affiliation have been identified. With this information, it is easier to identify hotels' strategic dimensions and strategy to meet decision-makers' needs and expectations about the affiliation process.

One theoretical contribution of this research is the study of types of affiliation in the hospitality sector and the insights derived thereof. In fact, from the perspective of the hoteliers, little is known on affiliation in this sector, and thus a view of the current dynamic processes has been neglected. As the sector is crucial to competitiveness in the tourism industry, an understanding of collaboration strategies and practices among hotel companies should be further explored. Moreover, in this research a holistic approach to the study of affiliation in the hotel sector was adopted, thus facilitating a comprehensive discussion of the results, from which future research can emerge. Drawing on prior research, holistic approaches to analyse affiliation in the hotel sector should be expanded to different cultural contexts to include an examination of the cultural factors that may affect decisions on the type of affiliation. It is important to understand whether the context influences this choice and in what way. The research also adds to the body of knowledge on the choice of affiliation type by showing the prominence of marketing consortia in the hotel.

Concerning the managerial contributions, the findings of this study are expected to assist hotel managers and to inform the hotel chains entering the Portuguese market. The results may provide useful information to investors and contribute to a deeper understanding of the profile and preferences of Portuguese hotel managers. Currently, it is critical for international consortia which aspire to expand their operations to know more about other business players. The results of this study show that Portuguese hotel managers prefer hotel marketing consortia as a type of affiliation. This finding adds to the appeal of Portugal as a country with which business may be easily established, as stated in the World Bank (2011) report (Daszkiewicz & Wach, 2012).

According to Isenberg (2016), the original attempt to create a soft brand came from the big hotel collections, such as Preferred Hotels and Resorts, Leading Hotels of the World and Starwood's Luxury Collection, which offer distinct cultural experiences to travellers looking for new discoveries through a variety of architectural and design styles. The purpose of these soft brands is to offer hotel owners greater flexibility and freedom, diverse possibilities to reach potential customers, and access to marketing opportunities and loyalty programmes. Since all these soft brands operate in Portugal, these results could represent important outputs for these soft brands to expand their business. Participating in a soft brand is a strategic way for small hotels to protect their investment and increase profits. This kind of independent hotel network constitutes a good solution for independent hotels. Wroten (2020) added that in pandemic times, soft brands represent a possible solution for independent hotels. Hotel managers should be aware that this business model is not an answer for all their problems but can help to achieve some common solutions for common problems, such as the impact of the COVID-19 pandemic on the hotel sector.

The innovative achievements of this research lie in the insightful results, which may assist decision-makers to explore new market opportunities. Moreover, this is the first survey to be conducted to upscale Portuguese hotels to identify and understand managers' perceptions of the suitability attributed to different types of affiliation in the hotel business.

One of the limitations is the fact that the survey was applied only to Portuguese hotel managers. A comparison with other countries could enrich the research. Another limitation is the fact that results only show the perceptions of hotel managers, which can have less information about long-term hotels strategies and investment information. Perhaps having the point of view of the administration or CEO of hotel chains will allow achieving more significant results.

Regarding future research, it would be interesting to deepen the issues that are at the root of the type of affiliation decision. Identifying the elements and dimensions that influence this option is important so that marketing consortia decision-makers may know how to act in the identification of potential members and the most appropriate approach. Considering the growing importance of the affiliation process in the hotel sector (Martorell-Cunill *et al*., 2012; Contractor & Kundu, 1998b; Kruesi & Zámborský, 2016), analysis of the criteria adopted by independent and small hotels when choosing a partner to expand their segments is particularly important, as there is evidence that these businesses' needs, motivations, and resources are very different from those of large and branded hotel members.

The scope of the research should be extended to other European countries and their performance compared through the perceptions of hotel managers. Any identified differences will contribute to the research on the hotel industry in Europe. Nonetheless, due to the complexity and multifaceted characteristics of this process, further studies are necessary to fully understand its breadth. More cross-country studies are especially needed, since prior studies in New Zealand (Kruesi & Zámborský, 2016), Bulgaria (Ivanova & Ivanov, 2014), and Spain (Andreu *et al*, 2017; León-Darder *et al*., 2011) have focused mainly on a given country and/or region (Altinay & Altinay, 2004).

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