

Cand. Merc. Program
International Marketing and Management

The Internationalisation of Small and Medium Enterprises in the Hotel Industry

The case Adler Spa Resorts



Master's Thesis

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Abstract

Purpose: The dissertation investigates the possibility of the Italian hotel company Adler Spa Resorts to internationalize in order to further accomplish its growth strategy. The dissertation provides managerial recommendations for a successful internationalization. Additionally it adds more depth to the issue of internationalization of SMEs in the hotel industry, since little research has been done about this topic.

Methodology and Design: To provide the necessary data for the analysis, four in-depth interviews with decision makers of Adler Spa Resorts were conducted. The first part of the analysis addresses the business model and the managerial, organizational and dynamic capabilities of Adler Spa Resorts to address the ability and feasibility of the company to go international. The second part addresses the location choice of a potential internationalization of Adler Spa Resorts by analysing the impact of location, situation and firm specific factors. The third part addresses the entry mode choice of a potential internationalization of the company.

Findings: Adler Spa Resorts offers a unique vacation experience to its customers, has a solid financial position, and has developed the necessary capabilities to cope with the challenges of internationalization. The business model of the company can be successfully transferred to foreign markets. The most suited locations are characterized by a stable and secure environment, low competition, but spectacular landscape. The most suited entry mode is a greenfield investment, since this entry mode allows realizing the concept of the company from the beginning on, strengthening the brand and protecting the company's competitive advantage.

Implications and Recommendations: The main challenge when internationalizing is the physical separation and therefore the coordination issues for the family owned company. To reduce the impact of coordination issues, Adler Spa Resorts should choose locations that are geographically and culturally close and about which the owners of the company have some previous knowledge. This would allow a similar organization and coordination as in the present hotels of the company.

Limitations: The dissertation shows several limitations. First, interviews were conducted only with informants from Adler Spa Resorts, which can lead to biases. Second, a more detailed business plan, including budget, marketing strategies and market research, needs to be developed, in order to address the internationalization strategies more in detail.

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1. Introduction

“Since the middle of the twentieth century, the world has witnessed a rapid internationalisation of markets, industries and firms” (Olejnik & Swoboda, 2012). Growth has become one of the main objectives of the modern firm and often, if domestic markets are saturated, companies seek for growth in foreign markets (Grant, 2010).

Internationalization and growth are mainly thought in the context of big, multinational companies. However, the European reality is different and its economy dominated by small and medium enterprises (SMEs) (European Commission, 2015). SMEs are facing different challenges when going international, such as dealing with resource constraints, weak managerial capabilities or informal organizational structures.

The given report focuses on the Italian company Adler Spa Resorts, which can be defined as a SME, and which is currently facing the management decision problem on how to grow in future. The report is investigating internationalization opportunities for the firm by analysing the company, the location choice and the most suited entry modes. From the case study it will be possible to draw some general conclusions that are relevant for all internationalizing SMEs in the hotel industry.

This first chapter will introduce the issue of the dissertation. Further, the academic and managerial relevance of the issue will be presented. Finally, the main research question and some sub-questions, that guide through the whole paper, will be formulated.

1.1 The Issue

“Tourist activity and in general the hotel industry have an international character by definition” (Quer, Claver & Andreu, 2007). Recently, next to diversification and horizontal and vertical integration processes, a rising number of hotel structures have developed their activities on an international scale. Reasons can be the difficulties to grow the company in the domestic market, the emergence of new touristic destinations in foreign countries, the attempt to avoid dependence on a single location, or the attempt to avoid too much power of single tour operators (Quer, Claver & Andreu, 2007).

While hotel chains are more likely to internationalize, SMEs and family owned hotels are still reluctant to enter foreign markets. If they enter foreign markets, it often happens in an incremental, step-by-step way. This phenomenon has various reasons: especially limited growth objectives and limited managerial capabilities, constrained financial resources, low liquidity, and the tendency to avoid risks are responsible for the low internationalization rate of family owned businesses (Kontinen & Ojala, 2011). Qualities such as innovative orientation, flexible structures and entrepreneurship characterize SMEs and family owned businesses. However, informal internal relations, poor accounting procedures, inadequate administrative routines and unsystematic decision making create central challenges and can turn the qualities of SMEs into weaknesses when they go international (Lloyd-Reason & Mughan, 2002).

To overcome their weaknesses and exploit their strengths in foreign markets, SMEs need an efficient management at corporate, business and functional level. In order to ensure that the necessary resources and capabilities to enter a foreign market are present in the organization and that the weaknesses do not outweigh the strengths, SMEs and family owned businesses need to approach internationalization decisions in a holistic way. This decision is analysed by using Adler Spa Resorts as a case study.

Adler Spa Resorts are a SME operating in the leisure segment of the travel and tourism industry in Italy. The company is a collection of four, Italian hotel properties, owned and managed by the Sanoner family (Heady Communications, 2014a). Over the past three decades the company has grown significantly by both increasing the size of the historical hotel in the Dolomites and by expanding within Italy through the construction of three new hotel structures in the Dolomites and in Tuscany. Further, a new hotel project is planned in Sicily. The desire to further grow in future, to increase the revenues of the company, and to strengthen the brand, together with the economically difficult situation in Italy, has triggered the consideration of the owners of Adler Spa Resorts to expand internationally.

According to Klaus Sanoner, one of the owners and managers of the company, internationalization would contribute to strengthen the brand of Adler Spa Resorts and to increase its international visibility. Further, he believes that through internationalization the company would reach new customer segments, and reduce the dependency on a particular location through geographic diversification (Klaus Sanoner, PC¹, 2015). In addition, entering the international

¹ Personal Communication.

arena was considered by Adler Spa Resorts in order to benefit from synergies, such as common marketing plans, standardized controlling and standardized accounting procedures. Also, it would be possible to benefit from better economic, political and institutional conditions in foreign countries, such as lower tax rates, a better labour law, or more political stability (Klaus Sanoner, PC, 2015). Finally, the owners believe that operating internationally fosters the creation of new business connections, and promotes access to new suppliers and distribution channels like travel agencies and tour operators.

However, internationalization is also a complex and precarious process, and the owners are not sure if the company is ready and capable to enter successfully the international arena and, if yes, how to manage this process. A first investigation of this issue is attempted by the present dissertation.

1.2 Relevance of the Issue

Firstly, investigating internationalization opportunities for a SME in the hotel industry is relevant from an academic point of view, because currently the topic has mainly been approached in terms of international business activities conducted by large multinational enterprises (MNEs) (Kauppinen & Juho, 2012). Since more than 99% of the businesses in Europe are represented by SMEs, creating two thirds of the jobs in the private sector and contributing to over 50% of the overall value-added created by European businesses (European Commission, 2015), it is important to discuss internationalization also in the context of SMEs. Further, research conducted on internationalization of firms in the hotel industry, focuses mainly on major, multinational hotel chains and airlines. These firms often grow through tools, such as mergers and acquisitions, franchising, or management contracts (Martorell-Cunill et al., 2014), which may be out of reach for SMEs.

The models of MNEs are difficult to transfer to SMEs, which are characterized by a different managerial orientation (Lloyd-Reason & Mughan, 2002) and usually by lower liquidity (Jang, 2010). The research, which has been conducted in the context of SMEs, focuses on the one hand on traditional, manufacturing enterprises, characterized by incremental internationalization processes, and, on the other hand, on born global companies and their rapid internationalisation (Olejnik & Swoboda, 2012), leaving out the service industry. The service industry,

however, is becoming more and more important in today's world (Ripolles Melia, Blesa Pérez & Roig Dobón, 2010).

Studying the case of SMEs is particularly interesting since MNEs often retain a great amount of knowledge about foreign markets. They often possess already established, international relations and more resources to obtain information. For these reasons the internationalization process of MNEs is more path-dependent and investigating the internationalization pattern of SMEs better highlights the influence of certain firm, location and situation specific factors (Hätönen, 2009).

For the cited reasons there is a need for research on internationalization in the academic field of SMEs operating in the hotel industry. This paper uses an empirical approach by conducting a single case study and by discussing the first international steps of the case company.

Secondly, since both growth and profits are important objectives in the management of businesses (Jang, 2010), the issue discussed in this paper is relevant from a managerial point of view. Internationalization is one way to grow businesses and, if successful, leads to an increase of revenues and market share, the exploitation of new customer segments, geographic diversification, and the creation of synergies and new networks (Grant, 2010).

However, internationalization still creates significant challenges for the management of SMEs (Olejnik & Swoboda, 2012). According to Lloyd-Reason and Mughan (2002), SMEs internationalise often in an opportunistic, intermittent way. In many situations, international orientation of owners is the key to initiation of international activities. Further, internationalization can have serious consequences and implications for the management of SMEs, because strengths in the home market may become sources of weakness or obstacles when entering and competing in a foreign market. The current literature leaves space for an empirical, in depth study of a SME in order to discuss these challenges from a managerial perspective.

The present paper provides a deep insight into the internationalization opportunities of a SME in the hotel industry, providing managerial recommendations on different aspects to the owners of the case company. In addition, the report provides guidelines for managers operating in the same industry and facing similar challenges.

1.3 Research Question

Since the last generational change in 1983 Adler Spa Resorts are seeking for continuous improvement of their infrastructures, their value offering and their profitability. Further, through the amplification of the Adler Dolomiti Spa and Sport Resort and through the opening of three new Adler Spa Resorts in the Dolomites and in Tuscany, the Italian company is pursuing a sustainable growth strategy in terms of capacity and profits.

Until this moment the expansion of the company takes place only in Italy. However, due to the economic and legal situation in Italy and the geographic as well as cultural proximity of the Dolomites and the headquarter (HQ) of the company to regions in Austria, Switzerland or Southern Germany, the question, whether future growth actions should be attempted across Italian borders, arises.

Therefore the management decision problem currently faced by the company is how Adler Spa Resorts can grow in future, and the project's research question can be formulated as followed:

“Should Adler Spa Resorts internationalise to pursue its growth strategy and, if so, what steps does the company need to consider?”

By answering this research question the management decision problem can be addressed. In order to answer the project's research question in a meaningful way, three sub-questions have been formulated. These sub-questions investigate different aspects of the internationalization process, such as the internal organization of the company, the location choice and the different market entry modes. These sub-questions address the management problem in a holistic way and approach both the external and the internal environment of the company.

The three sub-questions have been formulated as followed:

- Are the capabilities, assets and resources, which are necessary for the internationalization, currently existing within the company?
- What factors influence the location choice of the internationalization and why are they important for Adler Spa Resorts?
- Which entry mode is most suited to enter a foreign target market successfully?

1.4 Structure of the dissertation

In the first chapter the issue of the project and the reasons, which triggered the issue, are presented. Further, it is explained why the topic is relevant both for practical as well as academic reasons. In the end the research question and sub-questions, which will be addressed in the following chapters, are formulated.

The second chapter provides a review of relevant literature addressing the internationalization process of SMEs. The literature review focuses on the three aspects mentioned in the research questions, namely internal organization, location choice and market entry modes.

The third chapter explains the methodology conducted in order to gain the necessary information and data to answer the research question of the project. Further, it exposes the reasons for the decision to conduct a single case study.

The fourth chapter presents the findings of the conducted research and the fifth chapter discusses and interprets these findings, proposing managerial recommendations that can be deduced.

To conclude, the last chapter summarizes the outcomes of the research, providing an answer to the main research question, and discusses the limitations encountered in the project.

2. Literature Review

Internationalization is a complex process, which does not come without risks and has significant consequences for the performance of a firm. Therefore, the process needs to be addressed in a holistic way. It is not only necessary to assess the relationship between the organization and its environment and to analyse the external challenges faced by the firm, but also internal factors, such as resources, capabilities and assets, need to be considered (Crick, 2009). By approaching both the internal and external context, the internationalization possibilities of SMEs can be addressed in a holistic way. This proceeding allows analysing different aspects of the internationalization process and helps organizations to implement their international strategy successfully and to achieve a good international performance.

In order to follow this approach, the present literature review is subdivided into three parts. First, the business model of the firm and the capabilities, resources and assets, which are necessary for an internationalizing firm, are investigated. After the readiness for entering a foreign market is ascertained, a firm needs to make two major decisions: what markets to enter and how to enter the identified markets (Edwards & Buckley, 1998). The decisions about location choice and market entry mode are investigated in the second and third part of the literature review.

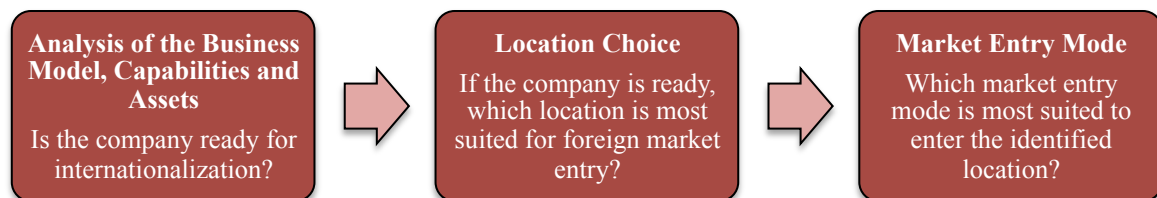


Figure 1: The three steps in the internationalization decision of firms.

2.1 Company analysis

The first step in the internationalization process is to ensure that the firm possesses the resources, capabilities and assets necessary to bear the entry into a foreign market. Only if the company is ready, different locations and their entry mode should be analysed.

2.1.1 Business model

An extensive analysis of the firm's way to do business, meaning its business model, is important to investigate whether the competitive advantage of the firm is sustainable and exploitable when expanding internationally. Usually organizations develop a competitive advantage in their domestic market (Lloyd-Reason & Mughan, 2002), the challenge is then to transfer this competitive advantage to foreign markets. A deep understanding of the firm's business model is therefore necessary to make accurate strategic decisions.

The business model is one of the most researched concepts in the field of management. Morris et al. (2005) propose a unified and integrated perspective on the firm's business model by considering strategic variables as well as organizational and economic decisions. These variables are interrelated and able to create and to sustain a competitive advantage in defined markets. According to the authors, organizations need to make decisions regarding six components.

Value Offering	•How do we create value?
Customer	•Who do we create value for?
Core Competences	•What is our source of competence?
Competitive Positioning	•How do we competitively position ourself?
Economic Model	•How do we make money?
Investment Model	•What are our time, scope and size ambitions?

Figure 2: The six components of the business model according to Morris et al. (2005).

The first component identified by the authors is the value offering proposed by the firm. The product or service offered by the firm needs to create value for the customer. Only if customers perceive a value from buying and consuming a certain product or service, the existence of the organization in the market place is justified (Solomon et al., 2009). A customer can value a product or service because of its ability to reduce costs or its ability to create new possibilities and solutions (Chesbrough and Rosenbloom, 2002). Decisions regarding this component are addressed to the nature of the product or service mix, the positioning within the value chain, the delivery to the customer, the standardization or differentiation of the offering, and the internalization or outsourcing of the production processes. In addition, a firm's value proposition may create value not only for customers, but also for other stakeholders such as

shareholders, employees, suppliers or the society as a whole (Chesbrough & Rosenbloom, 2002).

The second component focuses on the nature and scope of the served markets. Decisions regarding customer type, geographic dispersion, segmentation, market breadth, and organization type need to be made within this dimension.

The third component of the business model is meant to analyse the internal source of advantage of the organization. The competitive advantage depends on the firm's ability to understand where its strengths lie and to leverage from them (Tampoe, 1994). Morris et al. (2005) use the term core competency to describe the internal capabilities and skills that a firm performs relatively better than its competitors. Further, Prahalad and Hamel (1990) argue that core competences solidify the firm's competitive positioning and create an advantage for the firm in the market place. To become core competences, capabilities need to be valuable, rare, difficult to imitate and organizations need to be able to exploit them. In addition, Tampoe (1997) argues that a core competency is essential for corporate survival, for the development of core products or services, and for the implementation of the strategic vision of a firm.

When assessing the readiness of a firm to enter foreign markets, a good understanding of the firms' core competences is relatively important in order to analyse whether the competitive advantage, and therefore the core competences, can be transferred and exploited in a different competitive environment (Tampoe, 1997).

The fourth component relates to the competitive positioning of the firm. This means the firm needs to achieve a position in the market that allows to differentiate itself from competitors and to obtain an advantage over them (Amit & Zott, 2001). A competitively superior positioning in the market may be achieved through operational excellence, superior service quality, innovation leadership, superior cost efficiency, or intimate relationships with customers.

The fifth component consists of the economic model of the firm. The economic model comprises the revenue and cost structure, the pricing system, the volumes, the margins and the operating leverage. Because an organization creates value not only for customers, but also for other stakeholder such as the shareholders, the financial decisions of a firm represent an important part of its business model (Chesbrough & Rosenbloom). Further, the financial aspect is a crucial influencing factor for the internationalization of SMEs, which generally suffer

constraints of financial resources. Therefore, this aspect is discussed in detail later in the chapter.

The last component of the framework focuses on the time, scope and size ambitions of the entrepreneur, also defined as investment model. The investment model has important influences on the internal organization, the corporate strategy, the resource management and the economic performance of the firm. It determines whether the objective is to merely survive and meet basic financial objectives, i.e. subsistence model, or to generate ongoing and stable income for shareholders, i.e. income model, or to reinvest cash flows to grow the firm for future major capital gain, e.g. growth model.

A successful business model is sustainable over time and therefore requires consistency, or internal and external fit (Morris, Schindehutte & Allen, 2005). Internal fit means that the key activities within and between the six dimensions of the business model are designed in a coherent way. External fit means that the configuration of the key activities is appropriate considering the environmental conditions. Successful and profitable internationalization requires a consistent business model, which can be transferred to foreign markets and provides the firm with a high competitive advantage, which it is sustainable over time (Tampoe, 1997).

Even if the field of business models is one of the most researched areas in management research, lack of consensus still exist between different authors. Also the unified perspective proposed by Morris et al. (2005) is criticized. One of the points of criticism is that the theoretical foundation for the design and the application of the model is rather unclear (Nicholson, Shepherd & Woods, 2009). In addition, topics such as the life cycle and the innovation of the business model or the interaction between the different components need further investigation (Morris et al., 2006). In their study the authors apply the model only to companies from the Inc. 500 list, which indicates the 500 fastest growing US firms. However, there exists little empirical application to other companies such as SMEs, which makes the application of the model to the case of Adler Spa Resorts more difficult. Further, the importance of variables such as human capital, brand or organizational culture, investigated by later research, is neglected.

Despite the points of criticism, the business model proposed by Morris et al. (2005) can be applied to organizations from various industry types and allows a holistic approach to the question of how firms do business (Zott, Amit & Massa, 2011). Further, the model proposed

has some significant advantages: it is internally consistent, easy to present and communicate, helpful for strategic decision making and, once defined, can be easily monitored. For these reasons the model is appropriate to analyse the business model and the competitive advantage of Adler Spa Resorts, because it uses a holistic approach, taking into account strategic, organizational and economic variables, and it is easy and straightforward to communicate.

2.1.2 Managerial Capabilities

Next to a sustainable and competitive business model, internationalization requires some managerial capabilities that are prerequisites for a successful foreign market entry. According to Olejnik and Swoboda (2012) an important managerial capability for internationalization is the international orientation of the manager. International orientation describes the attitude towards international activities, exporting, and stays abroad. Further, according to Lloyd-Reason and Mughan (2002) especially in SMEs the strategic orientation of the owner-manager is key to success. Therefore, if the owner-manager does not support international activities, initiatives to provide resources and to develop skills necessary for internationalization are improbable to generate positive outcomes. Since Adler Spa Resorts is a family owned business, the support of international activities and a positive international attitude of the owners are prerequisites for successful internationalization.

Not only international orientation, but also the international experience of the manager has implications for internationalization strategies. International experience is measured by the years lived or worked abroad, by the time spent on international travels, or by the languages spoken (Reid, 1981). Other indicators are the degree of education in international business, the level of openness towards different cultures and the readiness to adapt to them (Lloyd-Reason and Mughan, 2002). Reuber and Fisher (1997) argue that the international experience of the management is positively linked to the degree of internationalization of a firm. They found that internationally experienced managers are more likely to develop relationships with foreign partners and delay less in achieving sales in foreign countries after setting up a business. Further, they often are already part of international business networks and are more likely to develop capabilities necessary to identify and negotiate with foreign partners.

Because of the dominant role of the management in SMEs, like Adler Spa Resorts, and the close linkage between performance and management, the international experience of the

whole management team needs to be considered. The international experience of a company can be measured by the number of years it is operating internationally, its knowledge about foreign markets, or the percentage of foreign assets (Zhao, Luo & Suh, 2004). According to Hymer (1976) international experience is an important organizational capability for the internationalization process of a firm, because it reduces the costs associated with acquiring information and knowledge about cultural, political and economic differences.

Lastly, According to Olejnik and Swoboda (2012), a third important managerial capability for the internationalization process of a firm is the growth orientation of the manager. It is a construct that describes the motivation of the manager, to seek for growth, also in foreign markets.

International orientation, international experience and growth orientation are prerequisites for the successful formulation and implementation of an international strategy. Especially in traditional SMEs and family owned businesses the presence of these capabilities are fundamental because firms are more reluctant to internationalize and therefore need the presence and the support of top management. Further, the overall performance of a SME is more dependable on the capabilities of the management.

These managerial capabilities need to be developed by or be available within a firm, before the ability and the feasibility of internationalization are addressed (Lloyd-Reason & Mughan, 2002). Ability and feasibility to go international means that the firm has the availability of enough financial resources and human expertise, and the capabilities to support international operations are appropriate. These aspects are approached in the following section.

2.1.3 Organizational resources, capabilities and skills that enable the ability and feasibility to go international

Many researchers adopt the resource-based view (RBV) to approach the issue of internationalization of SMEs. The RBV focuses on capabilities, which are defined as “critical factors of the firm’s competitive advantage” (Alvarez & Barney, 2000). The concept builds on two main considerations: resource heterogeneity and resource immobility. This means that resources and capabilities possessed by an organization are different, and that these differences are lasting over time (Barney, 1991).

Other researchers (e.g. Raymond & St-Pierre, 2011) elaborate the RBV, arguing that there exists no direct link between a firm's individual capabilities and its performance of internationalization, but rather between a combination of capabilities and the firm's performance. According to Raymond and St-Pierre (2011) firms need to acquire and develop the strategic capability to perform in international contexts. The strategic capability is the totality of skills and resources that allow a firm to coordinate its activities and exploit its assets and that have implications for organizational outcomes such as internationalization. Only if individual capabilities such as market and product development, networking, innovation, or human resources development, are co-aligned between each other and with the external context, they determine the performance of a SME and its internationalization processes.



Figure 3: The organizational capabilities that, if co-aligned, form the strategic capability of a firm.

Innovative firms acquire and apply diverse capabilities in front of environmental changes. They reshape basic resources by changing unusable ones and by re-combining them in innovative ways to create new capabilities, which provide an advantage in existing or new markets (Sirmon & Hitt, 2003). An orientation towards innovation enables firms to recognize and exploit opportunities. According to Ripolles Mélia et al. (2010) internationalization requires new organizational processes. This implies that organizations need to overcome inertia and routines developed in the domestic market before engaging in foreign operations. Innovative capabilities are critical to find and sustain a competitive advantage in today's competitive environments such as the hotel industry in Europe, which is characterized by the presence of some large chains and many small and medium players.

Market development and marketing capabilities comprise the ability to identify customer needs, to position products and services successfully in the market, and to implement market penetration strategies. According to Kuivalainen et al. (2010) firms that successfully grow and enter new markets have marketing capabilities that are above the average of the industry.

In the service industry, and especially the hotel industry, where the contact to customer is close, developed marketing capabilities are vital to identify and retain customer and to obtain an advantage over competitors.

The human resources, meaning the knowledge and skills embedded in employees, are an important resource of every firm (Kuivalainen et al., 2010). Especially in the hotel industry, where knowledge is closely linked to the performance of the firm, where the relationship between employees and customers is frequent and the impact on operational costs is high, human resources represent a critical success factor. Therefore, according to Raymond and St-Pierre (2011), the **development of human resources** is another important capability for internationalization. The capability to develop human resources can be measured through indicators of practices such as incentive compensation, participation of employees, information sharing or training.

Growth and internationalization processes have a considerable impact on the internal, organizational structure of a firm (Jang, 2010). According to Olejnik and Swoboda (2012) internal **communication skills** need to be developed in order to cope with the challenges of internationalization. Communication capabilities, such as the capacity to motivate members to share ideas, to communicate effectively and to be creative, increases the learning process of the firm and facilitates the acquiring of organizational knowledge. These capabilities are very important in the service industry, since most of the knowledge is embedded in employees and therefore the communication and ability to share ideas needs to be promoted. Next to communication skills, Olejnik and Swoboda (2012) refer to intelligence generation as important organizational capability in the internationalization process. Intelligence generation enables firms to understand international activities in a better way and to transfer knowledge acquired internationally into numbers and tables in order to reduce uncertainty, to collect information and to control international operations. Intelligence generation can be a challenge for internationalizing SMEs, because of their informal structures and often weakly developed accounting and monitoring capabilities.

Kontinen and Ojala (2011) investigate the role of *social capital and networks* for internationalizing firms and identify social capital as one of the most important factors determining corporate success. The authors distinguish between internal or bonding social capital, represented by the connections that exist between members of the same organization, and external or bridging capital, represented by the development of ties between members of the organization and external actors. Kontinen and Ojala (2011) argue that SMEs and family owned businesses generally possess a strong bonding capital, while they often lack bridging capabilities. When internationalizing firms need to develop the bridging capital, because it enables them to acquire knowledge about potential partners and new locations, to identify business opportunities and to successfully enter foreign markets. Reciprocally, internationalization activities have a positive effect on the external social capital of a firm, because it can be seen itself as a process of initiation and establishment of networks and therefore as development of external social capital.

Measurements of social capital can be made through indicators such as business collaborations built to reach greater efficiency, better market responses, more competitiveness, uncertainty diminution or knowledge development (Raymond & St-Pierre, 2011).

Lastly, one of the most significant capabilities in the internationalization process of firms is the *financial capability*. Especially for SMEs, because of their scarce financial resources and liquidity constraints, financial capabilities, such as the ability to obtain access to external financial resources and to manage them efficiently, are an important indicator for the readiness of internationalization (Kuivalainen et al., 2010). Further financial capabilities are excellent investment know-how, good connections with investors and credit grantors, and financial management skills.

Stable growth of revenues and profits give credence to the value proposition of a company (Grant, 2010). Further, financial ratios allow gaining insights into the financial position of a company (Edmonds et al., 2011). The equity to assets ratio for example indicates the financial independence and stability of a firm. The equipment intensity, expressed by the value of tangible assets compared to the total assets, indicates a firm's ability to adapt to business changes and cyclical fluctuations (Harrison et al., 2011)

To conclude this section, it is important to state that the study of Raymond and St-Pierre (2011) has shown that the previously described capabilities increase the performance of inter-

national activities. In addition, every major change in the organizational or environmental context of an [organization](#) requires strategic decisions, flexibility and dynamic capabilities to cope with those changes. Therefore firms that enter foreign markets require also dynamic capabilities to drive the changes internationalization brings along (Kuivalainen et al., 2010). Internationalization needs both an existing set of capabilities that create a competitive advantage, and dynamic capabilities that help to recombine existing resources (Prange & Verdier, 2011). A combination of simultaneously exploiting given skills, knowledge and resources, and exploring new capabilities is necessary for a sustainable competitive advantage.

2.2 Location Choice

The location choice is one of the main decisions a firm has to make when internationalizing. Choosing a location means long-term commitment of capital and other resources, and has an impact on the competitiveness and profitability of a firm. The decision has a direct influence on the initial capital investment and the following costs of operations. Further, the location influences accessibility, reputation and visibility of an organization. Especially in service industries those factors have a strong impact on the demand and therefore on the revenues of a firm (Mersha & Adlakha, 2008).

Because of the reasons previously illustrated, every firm needs to evaluate its location choice alternatives carefully. Several factors need to be considered when analysing the potential attractiveness of a foreign location. Krishna and Erramilli (1991) for example individualize market size and market growth, competition, operation costs, and the cultural, economic and political environment as important factors influencing the location choice. Mersha and Adlakha (2008) subdivide the factors that influence the location choice into objective and subjective factors. The first ones, often called traditional factors, refer to variables such as economics, competition, transportation, infrastructures, or consumers. The latter ones refer to soft factors such as image and visibility, culture, living environment, and future expansion potential.

Hätönen (2009) [investigates the factors that influence the final decision of location choice for offshore outsourcing and internationalization. The author](#) individualizes three different categories of factors that influence location attractiveness: location specific, firm specific and situation specific factors.

2.2.1 Location-specific factors

According to Hätönen (2009), especially location specific factors are key determinants in the location choice. The following section describes the most important ones identified by Hätönen (2009) and other authors, which study the location choice of R&D facilities (Siedschlag et al., 2013), the spatial organization of MNEs (Defever, 2012) or the success factors of touristic destinations (Haven-Tang, Jones & Webb, 2007). Even if not all of these categories are studied in the context of location choice in the hotel industry, they are still relevant, can be applied to the case of Adler Spa Resorts and are positively linked to the attractiveness of a touristic location.

Country Risk: The potential success or failure of internationalization and foreign market entry cannot be evaluated by neglecting information about the business environment a firm will operate in (Peng & Nunes, 2007, p. 230). Therefore, a first step in the location choice is to analyse the external environment. The study of Enright and Newton (2004), which investigates the relevance of business related factors for a destination's competitiveness, has found that, if there is a threat of natural disasters, crime, unsafety and low quality of medical services, customers may be reluctant to visit a destination.

Infrastructures: a location's attractiveness is positively linked to its accessibility. Accessibility is measured by the location's integration into the transport infrastructures and its access to airports, and road and rail links (Hätönen, 2009). According to Khadaroo and Seetanah (2008) transport plays an important role in the creation and the development of attractive, touristic locations. The study has shown that especially European and American tourists are very sensitive to the development of transport infrastructure. One reason could be that visitors from developed countries are used to good transport systems and prefer to maintain the same standard while travelling. Likewise, Crouch (2010) claims, that where accessibility is difficult because of long travel times, high costs, entry barriers and unpleasant connections, destination management should take action to improve accessibility.

Basic infrastructures, for example clean water, sanitation, or energy, provide an important foundation on which tourism, but also other industries rely. If they are missing the competitive position of a location is significantly compromised (Crouch, 2010). In leisure tourism, the presence of touristic infrastructures, such as public transports, cable cars, and entertainment facilities, is a critical success factor (Haven-Tang, Jones & Webb, 2007).

Financial incentives and regulations: The government of a location may grant financial incentives for certain activities and industries or may favour foreign direct investments. This increases the attractiveness of the location. Governmental regulations can be restrictive and reduce the location's attractiveness. However, they can also provide stability and security for firms who want to enter that location (Hätönen, 2009). Taxation regulations have a direct impact on the firms' profits and therefore influence significantly the choice to enter certain regions over others (Siedschlag, 2013).

Market size, market growth and competition: According to De Beule and Duanmu (2012) market size and market growth represent key determinants in the choice of location. The individuals, who are potential buyers or sellers in the area a firm is operating, define market size (Grant, 2010). Because touristic activity is per definition international and customers are mostly from other regions or countries, the local average disposable income and the local market demand and market growth do not influence significantly the attractiveness of a touristic location (Enright & Newton, 2004).

The number and size distribution of organizations competing in the same market defines competition (Grant, 2010, p. 69). Fierce competition makes a location less attractive for firms, because the coordination of prices becomes difficult and the probability of price cutting strategies increases. Possibilities to individualize niches or to differentiate the value offering on the other side increase the location's attractiveness.

Labour pool of sufficient quality and labour costs: The presence of a skilled labour force can be measured by the level of professionalism in the region (Haven-Tang, Jones & Webb, 2007) or by the human capital (Siedschlag et al., 2013). The human capital indicates the proportion of the economically active population in possession of a tertiary education level.

The labour costs can be measured by the average compensation per employee in the area. On the one hand it is favourable if the region is characterized by low labour costs since in the touristic sector they represent a high portion of the operating costs. On the other hand, low labour costs may indicate a lack of a highly skilled labour force. Defever (2012) for example argues that for service industries the average unit wage cost is not as influential for the location choice compared to other industries, because the availability of a highly skilled labour force is a critical success factor for many service firms.

Availability of partners and suppliers: Choosing the right partners is often seen as a key success factor when entering foreign markets (Hätönen, 2009). Ojala (2009) argues that a firm can use relationships and networks to achieve successful internationalization, because they allow collecting valuable information about markets, detecting business opportunities, exchanging knowledge, and facilitating cross-border activities.

The availability of appropriate suppliers plays a key role in the location choice of touristic enterprises. According to Porter (2008) the bargaining power of suppliers is one of the five forces determining the attractiveness and profitability of an industry. When entering a foreign market, firms therefore need to evaluate the presence of suited suppliers and avoid situations of dependence on a single supplier (Grant, 2010). Mc Dermott and Handfield (2000) however do not focus on the power of suppliers, but rather emphasize the possibilities of relationship or networking. The authors argue that especially in industries, characterized by fierce cost and quality competition or by a rapid pace of innovation, supplier involvement is positively linked to the firm's overall performance and location attractiveness.

Availability of developed information and communication technologies (ICT): The availability and low cost of ICT increases the attractiveness of a location. Further Hätönen (2009) argues that if these technologies are highly developed, they can reduce the importance of the location's geographic proximity.

Destination image and destination management: Especially in the tourism sector the reputation of a location is important for a firm's success and therefore an important determinant of location attractiveness (Haven-Tang, Jones & Webb, 2007). The reason is that, even if the real qualities and attractions of a destination are the source of its appeal, it is equally important to communicate this appeal efficiently to the market (Crouch, 2010). The image of a location is related to its heritage and its history, the character of locals and the international status of the location. In addition to the reputation, also effective destination management is critical in the tourism industry. It involves good communication between operators in the area, the coordination of strategies and operations, and a positive attitude from institutions and the political context to promote the location as a destination (Haven-Tang, Jones & Webb, 2007).

Cultural distance: cultural or psychic distance is defined as the differences that exist between the value systems of different regions or countries. According to Tihanyi et al. (2005) the differences, which exist between the culture of a firm's home country and the culture of its target

location, are positively linked to the costs of foreign market entry. Reasons are the firm's decreased ability to transfer its core competences and competitive advantage to the host country resulting in lower operational efficiency and profitability. Further the authors argue that in front of cultural distance organizations have increased training and monitoring costs and are less able to exploit economies of scale and scope in the area of technology, marketing, advertising and distribution. Li and Guisinger (1992) find that, because of discrepancies in the value and institutional system, cultural distance leads to conflicts within the organization and to difficulties in implementing organizational routines.

Even if most authors theorize that increased cultural distance reduces the ability of firms to successfully enter foreign markets, there exists some research that shows a positive link between cultural differences and firm's performance. Morosini et al. (1998) for example emphasize the possibility to integrate new capabilities and skills and to create unique sets of resources. However, the minority of authors represents this theoretical stream.

Geographic distance: geographic distance often leads to higher operational costs and more uncertainty increasing the risks of a foreign market entry (Hätönen, 2009). Especially if a firm is in the beginning stage of its internationalization process or for SMEs, geographical distance influences the location choice (Graf & Mudambi, 2005). The reason is that those firms face more uncertainties and suffer different constraints when going international. Therefore they often choose a sequential commitment during the internationalization process and initially choose geographic closer markets to reduce risks and costs (Johanson & Vahlne, 1977).

Likewise Defever (2012) argues being close to previous investments brings considerable advantages both for manufacturing and service firms. The reason is that face-to-face interactions remain necessary at different levels of the value chain for example for the development and implementation of marketing strategies, delivery systems and various services. In addition, geographic proximity reduces communication, transportation and coordination expenses, which are relevant especially for SMEs. However, Hätönen (2009) suggest that highly developed ICT in a certain location or the possibility to standardize production and other processes may reduce the negative effects of geographical distance.

The following figure summarizes the location specific factors and indicators that need to be considered in the location choice of an internationalizing firm.

Country Risk	<ul style="list-style-type: none"> • Safety • Political stability
Infrastructures	<ul style="list-style-type: none"> • Accessibility • Presence of basic infrastructures • Presence of touristic infrastructures
Legal Environment	<ul style="list-style-type: none"> • Financial incentives • Legal restrictions • Tax regulation
Industry	<ul style="list-style-type: none"> • Market size • Market growth • Competition
Human Resources	<ul style="list-style-type: none"> • Level of professionalism • Labour costs
Networks	<ul style="list-style-type: none"> • Availability of appropriate partners • Availability of appropriate suppliers
ICT	<ul style="list-style-type: none"> • Availability of ICT • Cost of ICT
Destination	<ul style="list-style-type: none"> • Reputation of the location • Destination management
Cultural Distance	<ul style="list-style-type: none"> • Differences between the value system of home and host country
Geographic distance	<ul style="list-style-type: none"> • Distance between home and host market

Figure 4: The location specific factors influencing the location choice of firms in the hotel industry

In conclusion it can be stated that it has considerable advantages to enter first markets with both low psychic and geographic distance. The main reason is that knowledge generally is embedded in people, and this can become an important firm-specific advantage when a firm goes international. However, it may be difficult to codify and transfer knowledge, especially to distant and different markets, where cultural differences can lead to conflicts and inhibit knowledge transfer. Therefore it is easier to enter first more similar markets (Zhao, Luo & Suh, 2004). Only if the firm gains international experience, it decides to expand to more culturally unfamiliar and geographically distant areas of the world (Vernon, 1966). The concerns of uncertainty faced in the initial stages of the internationalisation process are then replaced by economic opportunities in more distant markets (Krishna & Erramilli, 1991).

2.2.2 Firm specific factors

Firm specific factors comprise the prior knowledge a firm possesses about a specific location, because it reduces the costs of acquiring information (Hymer, 1976). This means that the costs of internationalization are lower if a firm already possesses a certain degree of knowledge about the target location. In addition Zhao, Luo and Suh (2004) argue that already existing knowledge about the target market facilitates the identification of reliable partners and good business opportunities, and therefore increases the chances of a positive foreign market entry.

2.2.3 Situation specific factors

Situation specific factors refer to the specific characteristics of the activities operated in international context. Hätönen (2009) argues that for activities, which have a strategic nature and involve the core competences of a firm, the decision making process should prefer locations with low economic and political risk. Also, other situation specific factors, such as specificity of assets and standardization of processes have an influence on the location choice of an organization's international operations.

2.3 Market Entry Modes

When a firm has decided to enter a certain foreign location, the next step is to choose a mode of entry. According to Anderson and Gatignon (1986) choosing an entry mode means to “select an institutional arrangement for organizing and conducting international business transactions”. Sharma and Erramilli (2004) define entry mode as a “structural agreement that allows a firm to implement its product market strategy in a host country”. This can happen by merely exporting products to the host country or by setting up production and marketing activities either by itself or in collaboration with others. In the first case the firm is carrying out only the marketing activities in the foreign country, in the second case also production activities are set up.

Tihanyi et al. (2005) argue that entry modes are typically categorized according to the quantity of equity invested. On the one hand there are equity market entry modes such as joint ventures or wholly owned subsidiaries. On the other hand there are non-equity market entry

modes such as exporting and contractual modes. Further, there are different alternatives within every entry mode. For example a firm can decide to export to a host country through integrated and wholly owned channels or through intermediaries. Another example is that a firm can decide to engage in contractual modes either through licensing or through franchising (Krishna & Erramilli, 1991).

Another classification of entry modes can be made according to the degree of control. There exist full control entry modes, such as firm owned channels or wholly owned subsidiaries, and shared-control entry modes, such as joint ventures, franchising, licensing, or exporting through intermediaries (Krishna & Erramilli, 1991). Joint ventures are solutions where the ownership of the foreign subsidiary is not in possession of one firm, but shared by two or more organizations (Buckley & Casson, 1998).

The choice of entry mode is an extremely critical decision for internationalising firms, since it has significant consequences on the degree of control over foreign activities, the risk of investment and the necessary resource commitment. The right choice of entry mode allows a firm to efficiently coordinate the activities that transfer knowledge from the home market to the host market and to encourage the creation of new capabilities (Zaoh, Luo & Suh, 2004). In addition the choice of entry mode has long-term implications for the firm's performance, since it is a decision that cannot be changed rapidly and without sacrifices (Brouthers, 2002).

As mentioned before different entry modes allow obtaining a different degree of control (Root, 1987). Generally the higher the level of ownership, the greater the control obtained by the firm over international activities (Krishna & Erramilli, 1991). However, ownership means a firm needs to invest more resources and accept a higher level of risk. Therefore a high level of control is only achievable through higher resource commitment (Anderson & Gatignon, 1986) and a higher risk level (Brouthers & Brouthers, 2003).

Market entry modes are one of the most researched fields in International Management research (Morschett, Schramm-Klein & Swoboda, 2010). Different research streams arise over the past decades, and not always they provide unified consensus about the variables influencing the entry mode decision. For example, Hennart and Larimo (1998) find that cultural distance enhances organizations to enter foreign markets in collaboration with partners, who are more confident with the environment and possess more knowledge. Agarwal (1994), on the other hand, finds that firms choose an entry mode that allows a higher degree of control, such

as ownership entry, when confronted with a cultural different location. Therefore it is useful to obtain an insight into the different research streams of entry modes. Two main theories are represented by the transaction cost economics theory and the Uppsala learning school. The hierarchical model proposed by Pan and Tse (2000) can be used as an overall model to overcome the weaknesses of the two main theories and approach the entry mode decision in a more practical and managerial way. A recent phenomenon is the occurrence of born global firms. These different topics are discussed in the following sections. Finally, it will be investigated what of the current literature is relevant for SMEs and companies operating in the hotel industry, and how different factors determine the choice between different types of entry mode.

2.3.1 The transaction cost economics theory

The transaction cost theory claims that the choice of foreign market entry mode is a decision of governance and therefore a pure economic decision. Transaction costs are the costs a firm bears when making an economic exchange in the market. If markets are efficient, all firms negotiate in the market because there the transactions have the lowest cost. However, in the real world, markets can be inefficient and transactions can have higher costs than internalization (Zhao, Luo & Suh, 2004).

The general concept of the theory is that, if transaction costs are low, the rational firm prefers that its operations and activities are carried out by the market through contractual agreements or shared control entry modes. On the other hand, if the transaction costs are high, then the rational firm prefers entry modes that allow a high degree of control such as wholly owned subsidiaries, company owned marketing channels or dominant joint ventures (Zhao, Luo & Suh, 2004). There are various factors influencing transaction costs, for example uncertainty, cultural distance, or the risk of freeriding.

The transaction cost theory claims that both external and internal uncertainties have an impact on the choice of entry mode. The external uncertainties derive from unpredictable conditions and events in the host country; they are often defined as country risk and compromise the firm's ability to foresee the future. According to Zhao, Luo and Suh (2004) firms choose a flexible rather than an ownership and investment-intensive entry mode when entering a foreign location characterized by high country risk. Internal uncertainties refer to the difficulties

to control the performance and the activities of agents caused by a lack of knowledge and experience in the foreign market. According to Zhao, Luo and Suh (2004) firms choose full-control and high integration entry modes when the risk of internal conflicts is high, even if it means to eliminate the flexibility of lighter entry modes.

Another factor influencing the transaction costs are cultural distance and international experience of a firm. If the firm has international experience due to previous negotiation, then it is more likely that the firm enters the foreign market through a contractual agreement, avoiding the high resource commitment of an ownership based market entry (Zhao, Luo & Suh, 2004).

Also the risk of freeriding, meaning the probability that a firm's image is harmed by the opportunistic behaviours of partners in the host country, influences the choice of market entry mode. If the risk of freeriding is high, then the rational firm chooses full control entry modes over shared control entry modes to protect its reputation, know-how and resources (Zhao, Luo & Suh, 2004).

To sum up, it can be stated that if the transaction costs in the market are perceived as too high, then firms prefer to enter the foreign market through full control entry modes. If the costs of the market are lower than the costs of operating the entry internally, then firms choose to enter the foreign market through shared control entry modes. This means that the different entry modes are considered all at the same level, no matter at what stage of the internationalization process a firm is standing (Pan & Tse, 2000).

2.3.2 The Uppsala School of Learning

Many researchers propose the Uppsala school of learning to explain the entry mode decision of internationalizing firms (e.g. Johanson & Vahlne, 1977; the School of Uppsala; Davidson, 1982). This theory claims that internationalizing firms tend to gradually shift from low commitment to high commitment entry modes (Zhao, Luo & Suh, 2004). The reason is that foreign market entry is risky and dangerous for firms, because they face a different economic, political and cultural context and different market systems (Johanson & Vahlne, 1977). As firms progressively accumulate knowledge and information about the foreign market, they feel more confident over time to invest a higher amount of resources and to accept higher levels of risks. The theory therefore highlights the importance of experience, learning processes and acculturation as factors influencing the choice of entry mode.

Likewise, Davidson (1982) emphasizes the influence of experience on the choice of market entry. He argues that usually firms with little international experience overstate risks and understate returns. They are afraid to invest a great quantity of resources and to take over a high degree of control, preferring therefore non-equity entry modes. Once these firms improve their ability to manage foreign operations and to evaluate risks and returns, they tend to increase resource commitment.

To sum up, it can be stated that the stage model proposed by Johanson and Vahlne (1977), where firms shift from non-equity market entry to equity market entry, can be seen as a “continuum of increasing levels of resource commitment, risk exposure, control and profit potential” (Pan & Tse, 2000).

Even if many researchers encourage the adoption of stage model, critics are not missing. Melià et al. (2010) for example provide empirical evidence that service firms often do not follow the continuum of increasing levels of resource commitment. They argue that service firms often are able to gain market knowledge through other ways than experience and that it is easier to generalize similar experience.

2.3.3 Born Global Firms

According to Prange and Verdier (2011), the hypercompetitive markets and the rapidly changing conditions of today's world may create the necessity of accelerated international market entry strategies and led to the appearance of the phenomenon of born globals. The concept of born global firms sustains that certain firms try to obtain a competitive advantage from the employment of resources and sales in multiple countries (Prange & Verdier, 2011). Generally those firms are young, have from birth on a global focus and are characterized by a large share of sales in foreign countries. Their strategy is to enter different foreign markets simultaneously. This means that born globals follow a radical internationalization pattern, where the domestic expansion is concurring with international expansion.

In the hotel industry born globals are rarely found and therefore not relevant. The vast majority of players are SMEs, which operate locally or nationally, do not expand considerably over time and have limited financial resources. Often these companies are family owned and have a long tradition. However, even large chains usually are geographically limited at the beginning and concentrate on a few markets. Adler Spa Resorts have a long history, in which they

have operated only in the domestic market. The company plans to grow in a controlled way also in future, with one project at a time (Andreas Sanoner, PC, 2015).

2.3.4 The hierarchical model

Pan and Tse (2000) argue that neither the stage model proposed by the [Uppsala School](#) nor the transaction [cost](#) theory provide an appropriate basis for the choice of market entry mode. The authors propose a hierarchical model, where decision makers subdivide the different possibilities of entry mode into a multi-level hierarchy. According to Pan and Tse (2000) at the first hierarchical level the decision is generally between equity and non-equity modes. At the next level the decision needs to be made between different alternatives of equity and non-equity entry modes.

After the different levels have been defined, decision makers create a set of evaluation criteria for each level. The ratio behind the model is that some factors influence the decision only at the highest hierarchical level, but may not play a significant role at lower levels. An example is location advantages, which are relevant for the decision between equity and non-equity entry modes, but not for the decision at lower hierarchical levels. Other macro-level factors are host country risk, trust propensity, cultural distance, or industry type. Factors that are relevant at a lower level, i.e. micro-level factors, are contract terms, human resources, or distribution channels.

The advantage of the hierarchical model is according to Pan and Tse (2000) its practical relevance for managers making the complex entry mode choice more manageable. [This model can be used as an overall model to address the entry mode analysis of Adler Spa Resorts in a more practical way.](#)

2.3.5 What can be applied for SMEs?

Choosing the appropriate entry mode has significant consequences for the performance and profitability of internationalizing SMEs. A lot of entry mode research has been conducted by analysing the case of big multinational firms. However, according to Nakos and Brouthers (2002) there are significant differences between MNEs and SMEs, and as a result also the choice of the right entry mode may need to consider different aspects. The authors investi-

gate therefore if the research conducted about larger firms is relevant for SMEs, and claim that ownership, location specific and internalization advantages are relevant also for SMEs.

First of all, if the ownership advantage is transferrable to the target market without reducing its value, than SMEs prefer equity market entry modes. Ownership advantage is created by the resources and capabilities of a firm, which provide a sustainable and competitive advantage (Grant, 2010). For example firms, which are able to offer differentiated products and services to the market, prefer ownership entry modes, because they enable to protect their critical resources and capabilities against imitators and allow to exploit already developed technologies, marketing strategies and delivery systems in other markets (Nakos and Brouther, 2002). If marketing know-how is a critical factor for success, then SMEs may choose to enter the market in collaboration with partners, who possess local knowledge.

Further, Nakos and Brouthers' (2002) study demonstrates the influence of location specific advantages. Therefore the home and host country specific factors individualized by Morschett et al. (2010) can also be applied for the decision of entry mode of SMEs (see 1.3.6).

In presence of internalization advantages, i.e. high transaction costs and inefficient markets, SMEs prefer equity entry modes. Likewise, when there exists a risk of opportunistic behaviour of partners and controlling and monitoring costs are high, firms tend to choose equity entry modes.

2.3.6 Influence of Home Country and Host Country Specific Factors

Morschett et al. (2010) investigate the main location specific factors influencing the firm's choice of foreign market entry mode by conducting a meta-analysis of 72 independent primary studies.

Cultural distance seems to be a very controversial dimension of the external environment. Some authors (e.g. Madhok, 1998; Hennart, 1991) propose a negative relationship between cultural distance and ownership entry modes. Reasons are the disability to transfer capabilities and knowledge to culturally different locations, and the difficulty to apply routines and to exploit the firm's competitive advantage without knowing the local way of doing business (Madhok, 1998). The alternative position claims that there exists a positive link between ownership entry and cultural distance (e.g. Kogut & Singh, 1988; Brouthers, 2002). Argu-

ments for this position are that finding appropriate partners for collaboration may be difficult in a different cultural environment, because they may be unable to exploit the firm's competitive advantage effectively in the host country or to absorb the firm's knowledge (Kogut & Singh, 1988). Further, costs of control and the complexity to deal with a different corporate culture may be too high in a culturally different country (Brouthers, 2002). Wang and Schaan (2010) suggest that there exists a U-shaped relationship between cultural distance and ownership market entry. Although cultural distance is one of the most cited influence factors of market entry, the meta-analysis of Morschett et al. (2010) finds no evidence of a direct relationship between cultural distance and market entry mode.

Market attractiveness is generally assumed to have a positive influence on ownership market entry, because it provides potential for long-term profits and the possibility to absorb additional capacity (Brouthers, 2002). However, the study of Morschett et al. (2010) has shown that one determinant of market attractiveness, i.e. market size, is negatively linked to ownership entry modes. A possible explanation is that it may be easier to obtain the necessary resources to enter a big market through collaborative agreements. A second determinant of market attractiveness is market growth. Market growth seems also to be positively linked to collaborative entry modes (Morschett, Schramm-Klein & Swoboda, 2010), because it enables faster market entry and therefore mitigates the costs associated to a delayed entrance (Hennart and Larimo, 1998).

The third factor of the external environment is **country risk**. Some authors argue that country risk is positively linked to ownership entrance because individuating suited partners is difficult and protecting resources necessary (e.g. Agarwal, 1994). Other authors claim that in a context of uncertainty firms prefer to maintain a flexible structure to respond to unpredicted changes and therefore prefer collaborative market entry modes (Brouthers, 2002). The meta-analysis of Morschett et al. (2010) has confirmed the positive relationship between country risk and collaborative entry modes.

The **legal environment** of the host country can reduce the possibilities of entry modes of a firm, overriding the preferences made according to economic considerations (Brouthers, 2002). Morschett et al. (2010) have found a positive link between legal restrictions and cooperative entry modes, since legal restriction usually provide economic advantages for arrangements with locals and discourage ownership entrances.

The fifth external factor is *competition*. Hennart and Larimo (1998) argue that firms prefer to enter concentrated markets, which are characterized by stable competition, through ownership entry modes. On the other hand, if there are many competitors and profitability is low, they prefer non-equity entry modes. However this assumption is not supported by the meta-analysis of Morschett et al. (2012).

The last dimension comprises the *cultural aspects of the firm's home country*. If trust propensity in the home country is high, firms prefer cooperative market entry modes (Brouthers & Brouthers, 2003). If the uncertainty avoidance index is high, firms tend to choose ownership entry modes, because they prefer clear structures, to have control and to avoid the uncertainty caused by potential opportunistic behaviours of partners (Hennart and Larimo, 1998). The meta-analysis of Morschett et al. (2010) supports this argument. Further, the authors conclude that it often depends on the decision-maker's subjective evaluation which entry mode is most suited.

2.3.7 Entry modes in the hotel industry

There is little research in the field of foreign market entry in the hotel industry, and most of the studies focus on big multinational hotel chains (Martorell-Cunill et al., 2014). However, the research conducted by Gannon and Johnson (1997) and Quer et al. (2007) gives some important insights into the topic.

Gannon and Johnson (1997) investigate the different market entry modes from the hospitality management perspective and analyse how different choices impact on the nature and degree of control and the coordination of resources and capabilities. According to the authors, in the hotel industry, wholly owned subsidiaries represent a capital-intensive investment. However, it allows firms to obtain control over foreign operations and to protect firm specific advantages. Acquisitions are a very common alternative of ownership market entry (Gannon & Johnson, 1997), especially in locations where the industry is mature and suitable targets can be found. The advantage of entering a foreign market through an acquisition is that the local management possesses a good understanding of the local environment (Edwards & Buckley, 1998). Further, the firm has rapid access to market share, production and marketing facilities, local reputation and to an organization, that knows the product and the customer. Takeovers are often expensive, but for those advantages firms might be ready to renounce to a part of

profitability (Anderson & Gatignon, 1986). Disadvantages of acquisitions are that facilities may be obsolete and not perfectly suited for the needs of the acquiring firm. Further, the management might not be able to handle the changes implemented by the new parent (Edward & Buckley, 1998) and difficulties in knowledge transfer can arise (Gannon & Johnson, 1997).

Franchising solutions represent a financially lighter entry mode. However, it reduces the possibility to maintain control over the foreign operations and decreases the influence practiced by the parent. According to Gannon and Johnson (1997), franchising is an appropriate entry mode, if hospitality firms seek to achieve high geographical coverage directly and without high resource commitment.

Very common entry modes in the hotel industry are management contracts. Management contracts are solutions where the operations and the organizational control are performed by a separated enterprise, which implements all the managerial functions in return of a fee (Gannon & Johnson, 1997). According to Quer et al. (2007) management contracts allow transferring knowledge from the host country to the subsidiary and, since no capital investment takes place, internationalization can happen rapidly and with a low level of risk. Further, management contracts provide internationalizing firms with a flexible structure, which allows leaving the destination if they are unable to adapt to the foreign environment.

In conclusion, it can be stated that successful internationalization in the hotel industry requires a balance between the right degree of control, risk exposure and returns. This topic has little theoretical foundation and little empirical evidence in current literature, and therefore represents an important opportunity for further research. Through the case study conducted in this dissertation, the topic of internationalization in the hotel industry is deepened. The obtained empirical evidence contributes to fill the research gap and to develop the theoretical background to the internationalization of SMEs in the hotel industry.

2.4 Summary and Conclusion of the Literature Review

Internationalization of SMEs is a critical and challenging process. Firms, which want to enter the international arena, need to consider both internal, firm specific, and external, environmental aspects. This approach enables to look first at the company and its readiness to internationalize, and then to examine the location choice and the right entry mode.

The literature review has shown that the first step in the internationalization process is to gain a good understanding of the firm's business model. The analysis of the six dimensions proposed by Morris et al. (2005) allows to determine whether the value offering of the Adler Spa Resorts can be transferred and the competitive advantage be exploited in a foreign market. The analysis of the business model should give answers to the following questions:

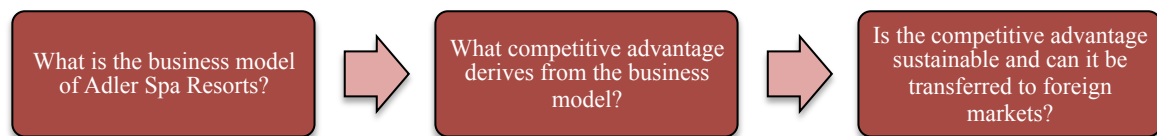


Figure 5: Analysis of the business model of Adler Spa Resorts.

Next to a competitive and sustainable business model, which can be successfully implemented in foreign markets, internationalization requires certain managerial and organizational capabilities. These capabilities are especially important for SMEs operating in the hotel industry, since performance is closely linked to the capabilities of managers and employees and the contact with customers is close. A strongly developed strategic capability, which includes managerial, organizational and dynamic capabilities, is positively linked to a good performance of internationalization.

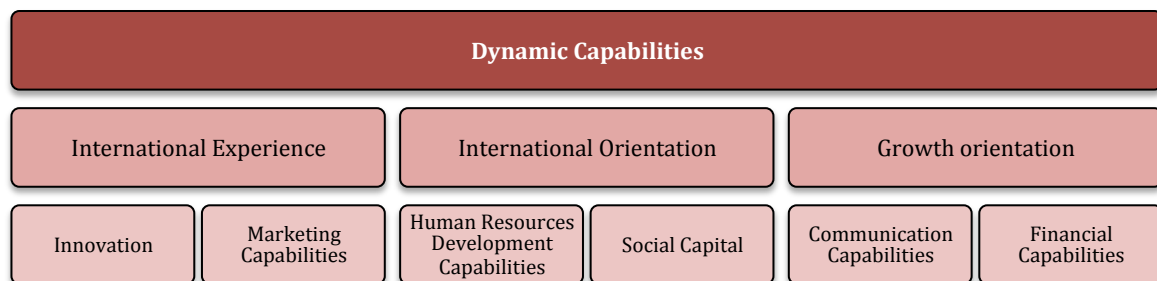


Figure 6: The strategic capability necessary for the internationalization of Adler Spa Resorts.

When choosing the appropriate location for internationalization a firm needs to consider location specific, firm specific and situation specific factors. When addressing the location choice for the Adler Spa Resorts, different alternatives are evaluated according to the variables individualized in the literature review. Therefore the location choice analysis should investigate following points:

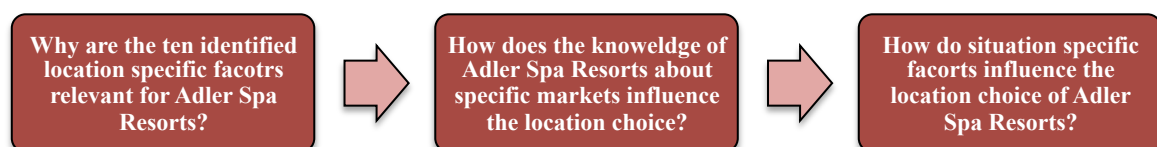


Figure 7: The location choice analysis of Adler Spa Resorts.

After having decided which location to enter, a firm needs to investigate which entry mode is most suited. The decision has considerable consequences on the degree of control, the resource commitment, the risk level and the overall performance of the firm in the long term. The field of foreign market entry is extensively studied and different theories, such as the [Uppsala learning school](#), the transaction cost theory, or the concept of born global firms are proposed. However, the right choice of entry mode also heavily depends on home and host country specific factors and therefore on the individual situation of every firm. Therefore the hierarchical model was chosen to address the issue of entry mode choice. At each level different variables influence the decision. The following table illustrates the model:

Level	Decision	Decision Variable
First Level	Equity entry mode versus non-equity entry mode	<ul style="list-style-type: none"> • Ownership advantage • Possibilities of standardization • Preferences of owners of Adler Spa Resorts
Second Level	Full ownership entry mode versus shared ownership entry mode	<ul style="list-style-type: none"> • Transaction costs • Country risk • Competition • Market Size • Market Growth • Uncertainty Avoidance Index • Trust propensity

Table 1: The hierarchical model developed for the entry mode choice of Adler Spa Resorts.

3. Methodology

The methodology part lays the foundations of the dissertation. The aim is to describe the plan for conducting the research project and the procedures for obtaining the data and information necessary to answer the research questions.

There exist different types of research, such as descriptive or exploratory research. This dissertation is conducted through exploratory research, providing insights and a deeper understanding of a specific, complex issue (Malhotra, Birks & Wills, 2012).

3.1 Case Study

For this dissertation the conduction of a case study was selected to address the issue of internationalization of SMEs in the hotel industry.

One reason for this approach is that the internationalization pattern of SMEs in the hotel industry, or generally in the service industry, is a rather complex process. It is therefore recommended to approach the issue not only from a pure theoretical perspective, but to choose a more holistic method. The use of a case study adds more depth, knowledge and comprehensiveness to the studied issue (Mintzberg, 1979) and allows an all-round analysis of a phenomenon in its real life setting (Crowe et al., 2011). Further, through the deep insights gained through the extensive study of the case, the present research allows to give managerial recommendations to the case company.

Case studies are mainly used for theory development (Eisenhardt, 1989), theory testing and theory description (Crowe et al., 2011). In this dissertation the case study approach is used to see how existing theory about the internationalization process of SMEs can be applied to a real life case. Therefore, next to managerial recommendations, theory testing and theory description are the main objectives of the case study.

Stake and Savolainen (1995) propose three different types of case study. The first one is the intrinsic case study, which aims to investigate a unique event. The second one is the instrumental case study, which uses one certain case to obtain a broader insight and understanding of the studied issue. The last type is the collective case study, which investigates more cases simultaneously or sequentially to obtain a deeper understanding of the studied phenomenon.

In the present discussion an instrumental case study approach is used. Through an instrumental case study, findings, that are potentially applicable to other cases, can be found. Further, a single case study allows investigating the issue of internationalization of SMEs in the hotel industry particularly in-depth. This would not be possible with a collective case study, because of the time and scope limitations of the project.

The first step of the present research project is the formulation of the research questions and the selection of the case company. The main reason for selecting Adler Spa Resorts as case company is the suitability of the company to study the process of internationalization, since the company has grown in size and profitability over the past 20 years and has already expanded in Italy. Even if the company has not yet entered the international arena, it is probable that Adler Spa Resorts are capable to do so. Further, access to information and data is a main consideration in the selection of the case (Crow et al., 2011). This is the second reason for choosing Adler Spa Resorts, since a great amount of information and knowledge is available for the author.

The initial formulation of the research questions helps to build the theoretical framework of the case study. This is important, because, if no boundaries are defined, it is easy to become overwhelmed by the amount of data and information available (Eisenhardt, 1989), and it is more difficult to find prior theories that approach the issue and that allow obtaining findings that can be generalised.

After the formulation of the research problem, the selection of the case and the review of the relevant literature were done, the data for answering the research questions was collected.

3.2 Data collection

Case studies usually combine different methods of data collection and sources of evidence to obtain a deeper insight into case (Crowe et al., 2011). The data used for a research project can be distinguished in primary and secondary data. Primary data is generated specifically for a certain research problem, and therefore it is individually tailored to the researcher's needs, but also more expensive to obtain. Secondary data has previously been collected for other purposes and is more accessible and inexpensive (Malhotra, Birks & Wills, 2012). Both primary and secondary data are used for the analysis of the research questions.

The primary data used in exploratory research can be generated through qualitative and quantitative research methods (Crowe et al., 2011). This research projects uses qualitative research methods. Qualitative research is an unstructured way of collecting data and more exploratory than quantitative research. However, it allows obtaining deeper insights and more understanding of complex topics. Further qualitative research is suited to approach an issue from different perspectives in a holistic way (Malhotra, Birks & Wills, 2012), and is therefore appropriate for the present dissertation.

Qualitative research has also the aim to contribute to and elaborate existing theory by adding the insights gained through the research methods and by broadening their scope (Eisenhardt, 1989). The field of internationalisation of SMEs in the hotel industry is a rather unexplored field and prior knowledge and evidence is limited. This further increases the need of deeper insights, and justifies the use of qualitative research methods (Eisenhardt, 1989).

Forms of qualitative research methods are different types of interviews, focus groups, or observation. The technique of in-depth interviews is used in this project to collect primary data.

3.3 In-depth interviews

In-depth interviews are personal interviews, in which “the participant is probed by the interviewer to uncover underlying motivations, beliefs, attitudes and feelings on a topic” (Malhotra, Birks & Wills 2012). The interviews were conducted with four members of the Adler Spa Resorts: the two owners and managers, Andreas Sanoner and Klaus Sanoner, and the directors of two resorts, Klaus Kier and Anton Pichler (see Appendix B-E). In addition the revenue and cost model was discussed with the CFO, Dieter Schnitzer. The interview participants were selected to obtain information from different members of the management, who also have different competences and roles within the company. A set of 17 open questions was prepared for the interview with the owners and a set of 14 questions for the interview with the directors (see Appendix A). The interview with the CFO was a discussion of the financial position of the company and held without preparing a specific set of questions. The interviews’ duration was between 40 minutes and one hour. They were recorded, transcribed, and then translated into English.

The interviews were conducted in a semi-structured way. Even if the interviewer retained some degree of control over the discussion through the use of a predetermined set of questions, the participants were free to elaborate the content and to take the discussion into new, but still related directions (Malhotra, Birks & Wills 2012). Further, it was possible to add arising questions as the interview proceeded, allowing to elaborate on the answers of the participants and to obtain so further information.

Next to valuable information, the method allowed to acquire the data time and cost efficiently. According to Cook (2008) this reason makes in-depth interviews a very popular and effective data collection method. Nevertheless, in-depth interviews have also some pitfalls. The results for example depend on the skills of the researcher and the researcher's subjective interpretation and analysis of the obtained information (Thyer, 2001). Further, wrong or misleading questions can reduce the relevance of the obtained information (Malhotra, Birks & Wills, 2012). This aspects need to be considered as limitations of the project.

3.4 Secondary Data

Secondary data was used to complement the information obtained through the in-depth interviews. Secondary data can be generated internally or outside the organization (Malhotra, Birks & Wills, 2012). Both internal and external sources were used for the conduction of the present dissertation. Internal sources are the company's revenue and cost calculations (see Appendix G). The most important external sources are press releases from PR agencies (e.g. Stromberger, Heady Communication) and articles from the online databases MarketLine and Euromonitor.

Since secondary data is collected for different purposes than a specific research project, it is necessary to assess the relevance and accuracy of these sources. The information obtained needs to come from a reliable source, be up to date and appropriate for the scope of the project. Only if these requisites subsisted, the data was used for the analysis part of this research project.

3.5 Analysis of the research questions

After the data has been collected, the next step was to interpret the different sources of data and to present the findings of the case study. Like the literature review, the analysis part of the project is structured in three parts: company analysis, location choice analysis and entry mode analysis.

Company Analysis: The business model and the managerial and organizational capabilities of Adler Spa Resorts are approached in this section to investigate the ability and feasibility of the company to successfully enter a foreign location. The interviews conducted with the management of Adler Spa Resorts allowed obtaining the necessary data, information and insights for the analysis. Further internal sources, such as the company's balance sheet and revenue and cost calculations were used to address the company's readiness for internationalization.

Location Choice Analysis: After the company's readiness to enter the international arena has been investigated, the question of which location is suited for foreign market entry is approached. The literature review identified criteria, which determine the attractiveness of a location for Adler Spa Resorts. In the analysis part studies of contemporary tourism management research (e.g. Enright & Newton, 2004; Khadaroo & Seetanah, 2008) as well as the beliefs of the management and the characteristics of the company were analysed and discussed to investigate how these criteria matter for the location choice of Adler Spa Resorts.

Entry Mode Analysis: After the location choice analysis of Adler Spa Resorts has been addressed, the entry mode decision is approached. The review of relevant literature has identified different internationalization patterns and phenomena, and discussed the most important theories and models of foreign market entry. In the entry mode analysis different location, firm and situation specific factors, that influence the entry mode decision, are discussed in order to determine which entry mode is most suited for Adler Spa Resorts and why. The data for the analysis derives from the interviews conducted with the management of the company, the company analysis and the location choice analysis.

4. Findings

4.1 The Adler Spa Resorts

Adler Spa Resorts is a corporation operating in the leisure segment of the travel and tourism industry, and therefore part of the service industry. According to the European Commission (2014) SMEs are defined as enterprises with less than 250 employees and with revenues inferior to € 50 million. With its approximately 250 employees in high season and its forecasted revenues of € 38.83 million for 2015, the Adler Spa Resorts are still classified as a medium enterprise.

The company is a collection of four, Italian hotel properties owned and managed by the Sanoner family (Heady Communications, 2014a). The first property was acquired in 1810, and has, since then, been passed from generation to generation. Presently the company is owned and managed by Andreas and Klaus Sanoner in sixth generation (Heady Communication, 2014a). In the following table the four different hotel properties are briefly presented.

	<u>Adler Dolomiti Spa & Sport Resort</u>	<u>Adler Thermae Spa & Relax Resort</u>	<u>Adler Balance Spa and Health Residence</u>	<u>Adler Mountain Lodge</u>
<u>Year of opening</u>	<u>1810</u>	<u>2004</u>	<u>2008</u>	<u>2014</u>
<u>Location</u>	<u>Ortisei, Val Gardena, Trentino-South Tyrol</u>	<u>Bagno Vignoni, Val d'Orcia, Tuscany</u>	<u>Ortisei, Val Gardena, Trentino-South Tyrol</u>	<u>Alpe di Siusi, Trentino-South Tyrol</u>
<u>Room Nr.</u>	<u>120 rooms</u>	<u>90 rooms</u>	30 rooms	18 rooms, 12 chalets
<u>Director</u>	Klaus Kier	Anton Pichler	Clelia Demetz	Daniela Demetz & Sara Vinatzer
<u>Other characteristics</u>	<u>Surrounded by the Dolomites (Unesco World Heritage), largest wellness facility in the Dolomites, convenient access to skiing, hiking, mountain biking areas.</u>	Embedded in the Val d'Orcia (Unesco World Heritage), thermal pools, which are known for their healing qualities.	<u>Surrounded by the Dolomites (Unesco World Heritage), medical competence centre, Balance Health concept based on the five pillars diagnostics, nutrition, inner balance, exercise and treatment, childfree zone.</u>	Located high up in the mountains, inspired by the African and Canadian Lodge Hotels, focus on nature, local procurement and natural materials, childfree zone.

Table 2: The Adler Spa Resorts. Sources: Stromberger PR (2010), Stromberger PR (2012), Stromberger PR (2013), Heady Communication (2014a), Heady Communication (2014b).

Currently, the owners are planning a new hotel project near Torre Salsa in Sicily, and recently have acquired a property in the region (Klaus Sanoner, PC, 2015).

Even if the company has expanded considerably over the past years, it can be still considered as a traditional, family owned business, since the family is controlling the shares of the company, occupying key management positions and having members of more than one generation involved in the business (Kontinen & Ojala, 2011).

Adler Spa Resorts is currently facing various challenges such as future growth, expansion and internationalization of customer base, integration of new technologies (e.g. online marketing, social media) and risk diversification (Klaus Sanoner, PC, 2015).

4.2 Introduction to the Industry

Adler Spa Resorts operates in the travel and tourism industry. This industry consists of the **value created** “by passenger airlines and passenger rail, leisure attractions, hotels and motels, restaurants, and casinos” (MarketLine, 2015). The travel and tourism industry in Europe is characterized by maturity and high competition. From the period of 2010 to 2014 the industry has grown moderately with a compound annual growth rate (CAGR) of 3.1%, however some acceleration is expected for the next five years until 2019 (MarketLine, 2015).

Restaurants represent the largest part of the industry, accounting for 46.8% of the overall revenues, while the hotel and motel segment, in which Adler Spa Resorts are operating, accounts for 14.3% of the total industry’s value (MarketLine, 2015).

As mentioned before, Adler Spa Resorts is operating in the hotel and motel segment of the travel and tourism industry. This segment consists of the value generated “by hotels, motels, and other accommodation providers, through the provision of accommodation and food service” (MarketLine, 2014).

Value created in 2013	\$ 141.1 billion
CAGR 2009-2013	3.5 %
Forecasted CAGR 2014-2018	5.3 %

Table 3: Value and CAGR of the hotel and motel industry

The hotel and motel industry is characterized by the presence of large international players that compete intensively with each other and with a vast number of small and medium inde-

pendent enterprises for customers (MarketLine 2014). Even if the industry is mature, highly competitive and capital intensive, entrance and successful operation is in reach of also small and medium businesses (MarketLine, 2015).

Adler Spa Resorts operate in the leisure segment of the industry. This is the most lucrative segment of the industry accounting for 76.2% of the overall revenues (MarketLine, 2014).

In the past, the hotel and motel industry has been relatively strong and for customers the greatest challenge was to find availability to book. Nowadays, through globalization that offers many new opportunities, the low costs of transportation, the economic downturns and the high number of players and new technologies available on the market (e.g. [AirBnB](#)), the challenge for the companies has become to find and keep customers. Since switching cost for consumers can be neglected and price competition is no longer a key for success, companies, operating in the industry, need to be innovative, to invest in brand recognition and to differentiate itself from competition in order to attract new customers and keep existing ones (Marketline, 2014).

An important trend in the industry is the wellness and medical tourism, which has become the category with the highest growth rate in the travel and tourism segment. The growth of this segment can be explained by the concerns modern consumers have about their health and wellbeing and by the overall wellness popularity. A further trend in the industry is represented by national parks, since customers more and more seek to escape from the hectic life in the city (Euromonitor International, 2014). Lastly, complementary and accessory services, such as destination services, mobile bookings and relationship management systems, are becoming important keys to success and will change the travel industry over the next years (Euromonitor International, 2014).

4.3 The Business Model

The business model defines how a company conducts its business. Morris et al. (2005) have identified six dimensions, which together create a company's business model.

First component	Value offering	How do we create value?
Second component	Customer	Who do we create value for?
Third component	Core competences	What is our source of competence

Fourth component	Competitive positioning	How do we competitively position ourselves?
Fifth component	Economic model	How do we make money
Sixth component	Investment model	What are our time, size and scope ambitions?

Table 4: The components of the business model according to Morris et al. (2005).

By interviewing the most important decision makers of Adler Spa Resorts the different components were investigated.

The first dimension relates to the *value offering* of Adler Spa Resorts. All four properties are located in attractive locations, which are part of the Unesco World Heritage. The location of the hotel properties in unique and attractive sites is a main characteristic of Adler Spa Resort (Andreas Sanoner, PC, 2015).

Next to the basic offerings such as lodging and meals, Klaus Sanoner states that Adler Spa Resorts offer:

- Spa, wellness and medical treatments
- Extensive water and sauna worlds
- Gyms and sport and outdoor activities
- Guided skiing, hiking and mountain biking tours.
- Local and healthy dining using products of highest quality from local or regional suppliers

According to Andreas Sanoner, customers value the offering of Adler Spa Resorts because of its stability and solidity, and the constant standards.

A company may create value not only for customers, but also for other stakeholders. Adler Spa Resorts are open 11 month a year and have throughout the year an occupation rate between 85% and 100%. Therefore positive effects for the region are not only seasonal, but spread over the whole year (Klaus Sanoner, PC, 2015). Local companies, such as shops, cafés, restaurants, cable cars and ski and hiking schools, benefit from the presence of guests in the region. Only one example is according to Andreas Sanoner the fact, that the Adler Dolomiti sells ski passes for a value of € 500,000 every year.

The jobs offered by the company are very attractive for local employees, because in contrast to the majority of jobs offered in the touristic sector they are annual (Klaus Kier, PC, 2015). More than 50% of employees are locals.

The purchase of goods, wines and spa products from small, local suppliers brings them consistency and security, especially in Tuscany, which is a rural and still economically undeveloped region (Anton Pichler, PC, 2015). Lastly, the ongoing maintenance, renewal and expansion of the hotel structures produce positive effects for the local building sector and for local manufacturers (Klaus Sanoner, PC, 2015).

The second component of the business model relates to the *served markets*. Adler Spa Resorts operate in the B2C business, offering its services to the final consumer. In the interview Andreas Sanoner states that it is very difficult to segment the customer base of Adler Spa Resorts, since customers are of different age and have many different interests and preferences: “There are families and couples, sporty and not sporty people, customers who use the spa and who do not, people who come for a diet and people who just want to enjoy the good food”.

Klaus Sanoner describes the target customer of Adler Spa Resorts as successful in his job, active, health conscious and sport affine. Further he visits Adler Spa Resorts to relax, appreciates high quality dining, and looks for outdoor activities in an attractive landscape.

Adler Spa Resorts have many loyal customers: In 2014 60.3% of customers of the Adler Dolomiti were regular guests, meaning that they have visited the hotel before. 800 guests visited more than one property in 2014. Over a longer period, around 25% of customers have visited more than one property of the company (Dieter Schnitzer, PC, 2014).

The customers of Adler Spa Resorts come from different countries. The following figure illustrates the geographic origin of customers in the Adler Dolomiti. The composition is similar for the other properties of Adler Spa Resorts.

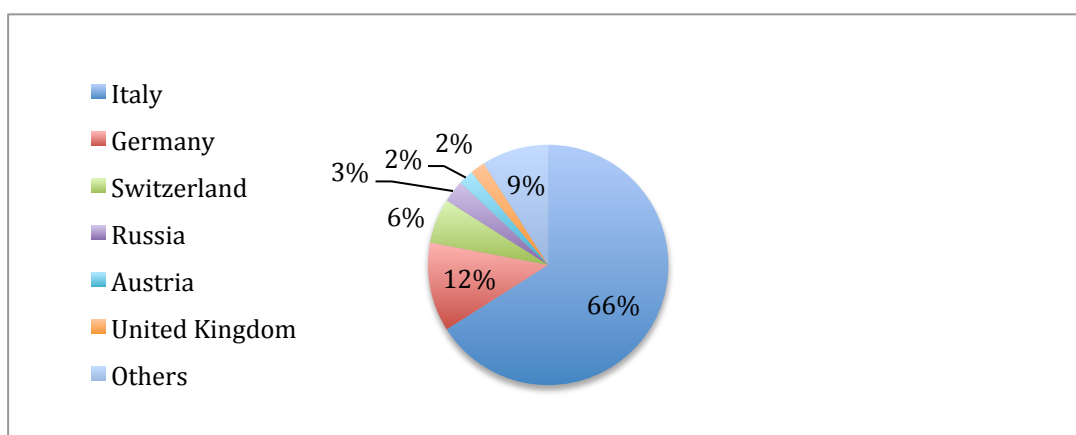


Figure 8: The geographic origin of customers in the Adler Dolomiti in 2014.

The third component of the business model relates to the *core competences* of Adler Spa Resorts. The core competences of the company lie in:

- The creation of unique architectonic solutions and infrastructures of high quality, the use of natural materials and the achievement of a modern design (Klaus Sanoner, PC, 2015).
- The creation of a familiar atmosphere, the cordiality and the hospitality of owners, directors and the whole team, and the flat organizational structure, which allows a close and warmly relationship between guests and employees (Klaus Kier, PC, 2015).
- The strong solidarity of the owner family and the family's entrepreneurial spirit, innovativeness and authenticity.

Klaus Sanoner states in the interview that the combination of tradition and innovation makes Adler Spa Resorts solid, flexible and curious. Likewise, Andreas Sanoner says that the most important aspect of the company is “the combination of tradition and innovation”, which means to value what is old and to be consistent, but at the same time to be innovative, to follow new trends, and to show customers continuous improvement.

The fourth component of the business model relates to the *competitive positioning* of the company. All four properties of Adler Spa Resorts are 5 star hotels. With its focus on spa and medical treatments, wellness, outdoor activities and a healthy, local gastronomy the company differentiates itself from many other hotels operating in the same industry (Anton Pichler, PC, 2015). Also the price of Adler Spa Resorts is higher than the average in the industry in Italy

The fifth dimension relates to the *economic model* of the company. The findings of this component are presented later in this chapter together with the financial aspects of the company.

The last dimension of the business model relates to the *time, scope and size ambitions* of the owners of Adler Spa Resorts. During the interview Klaus Sanoner states that the ambition for the next years is certainly to value on the one hand tradition and experience, but also to challenge and question present convictions and formula for success. The challenge will be to “recognize trends, to remain curious and flexible, to dare new adventures, and to master the generational change successfully and without conflicts” (Klaus Sanoner, PC, 2015). Further, Klaus Sanoner claims that there is desire for new projects and growth, which can be satisfied also through international expansion.

Andreas Sanoner states in the interview, that in the past 20 years Adler Spa Resorts have manifested a tendency to grow. Further, he specifies “the idea is to grow also in future, but always through controlled growth”. According to him the main goal is to build and strengthen the brand of Adler Spa Resorts: “so far, this goal has been achieved nationally. The next step is to build the brand internationally and international growth is one possible way to achieve this objective”.

4.4 Managerial and Organizational Competences of Adler Spa Resorts

International orientation: Tourism is per definition also international activity, since customer can be national or international. Internationalization of the customer base is a challenge and goal pursued currently by the company (Andreas Sanoner, PC, 2015).

The owners of Adler Spa Resorts are observing and visiting foreign destinations and hotels in their private life. Even if on holiday the idea is to learn how other hotels operate, what they do better and where the trends of the industry go (Klaus Sanoner, PC, 2015).

One of the main goals of the owners of Adler Spa Resorts is to grow also in future: one option is through international expansion of the company’s operations into foreign markets. Klaus Sanoner states that the advantages of internationalization, such as access to new knowledge and customer segments or the strengthening of the brand, would make internationalization very interesting for his company.

International experience: The international experience of owners and two directors is summarized in the following table.

	International Education	Work Experience	Languages spoken	Other international activities
Andreas Sanoner	Vienna, Austria	-	German, Italian, English, French	Participation at tourism fairs in Europe and the US
Klaus Sanoner	Vienna, Austria	-	German, Italian, English, French	Participation at tourism fairs in Europe and the US
Klaus Kier	-	Switzerland, 6 years	German, Italian, English	International marketing activities
Anton Pichler	Austria	Switzerland, 15 years	German, Italian, English	International marketing activities

Table 5: The international experience of owners and directors of Adler Spa Resorts

Growth Orientation: Both owners indicate in the interviews that there is desire for new projects and the objective to grow in future.

Innovation: All four participants state in the interview that, even if the company is operating since 1810, Adler Spa Resorts can be defined as innovative:

- In 1989 the Adler Dolomiti was one of the first hotels to build a wellness area. The trend of spa and wellness was detected early, and the spa areas were always ahead of time.
- In 2004 the company detected early the trend of sustainable health and wellbeing by offering of a holistic package through the adding of outdoor activities, medical treatments, medical competences and a healthy alimentation to the company's value proposition.
- Since 2014 the customers have the possibility to check in online: even if it is just a small add, it shows that the company is trying new things and constantly changing (Andreas Sanoner, PC, 2015).

Adler Spa Resorts is constantly working on expanding the offering of sustainable health by improving and adding services. One example of the last years is the objective to make mountain biking more accessible for customers trough modern e-bikes and good collaboration with biking schools (Klaus Kier, PC, 2015).

In conclusion Klaus Sanoner states, "innovation must go further, we have to be more innovative than the competition, learn from mistakes and defeats, be creative, without, however, endangering the company".

Marketing capabilities and market development: Adler Spa Resorts try to develop and maintain the marketing capabilities internally and to carry out only certain projects in collaboration with external providers. The reason for the internalization is that many companies suffer today from the outsourcing of whole divisions, because of a loss of competences, dependency and high costs (Andreas Sanoner, PC, 2015).

Wishes and suggestions from customers are detected through personal contact and communication with guests, through evaluation sheets and trough online reviews on portals such as Holidaycheck and Tripadvisor (Klaus Sanoner, PC, 2015). Klaus Kier adds that one important and innovative tool to retain customers and to improve customer loyalty is the Adler Friends Card. This card allows guests collecting points for every Euro spent and to convert them into spa treatments, products or price discounts on further vacations.

Internationalization of the customer base is an important challenge within the company. Familiar and more important markets, such as Germany, Switzerland, Austria or the Benelux, are reached through internal marketing campaigns. Others, such as the UK or the US market, through the help of external companies. To improve the presence on foreign markets, new media were often used in the past years. However, these activities have to be very focused on certain segments and markets, otherwise they become too dispersive and difficult to monitor (Andreas Sanoner, PC, 2015).

Another important step has been the implementation of GDS (Global Distribution Systems). Through these systems travel agencies can book directly rooms, which is important for foreign markets such as the US, where consumers are reluctant to book directly the hotel if they have to pay in advance. This has been done recently, and therefore the company is still awaiting the first results (Anton Pichler, PC, 2015).

Marketing projects supported by external providers are summarized in the following table.

Marketing activities supported by external providers	Reasons
Search Engine Optimization (SEO), online marketing	Rapid development of the past years made it difficult to develop all the competences internally.
PR	PR agencies have valuable contacts with the press and journalists.
Design of catalogues and websites	Access to know-how of specialized providers.
Marketing campaigns for unfamiliar markets	Reduce time and cost to reach unfamiliar market, little internal information about these markets.

Table 6: External marketing projects.

Development of human resources: All four participants indicate that human resources represent the most critical resource and success factor in the hotel industry. Next to fair treatment for working hours and compensation, motivation is the main factor for developing human resources and for integrating them into decision processes. Further, all employees are strongly integrated into the decision process of the company and motivated to share ideas.

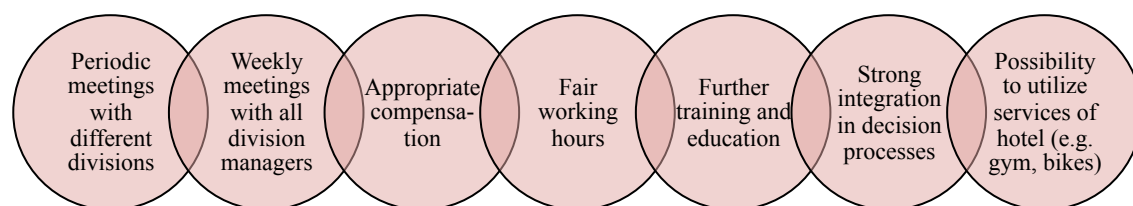


Figure 9: Activities to increase motivation and develop human resources.

Meetings with employees have the objective to discuss upcoming issues and to share ideas (Klaus Sanoner, PC, 2015). Through the flat organization of the company, employees can approach division managers, directors or owners directly to share ideas, and, therefore, everyone has the feeling that solutions are born in collaboration (Klaus Kier, PC, 2015). Adler Spa Resorts do not implement a strict quality management by outlining manuals for the different activities carried out by the employees. According to Klaus Kier this often-used technique of German or Swiss hotels, compromises the heartiness, independence and autonomy of employees.

Klaus Kier highlights the importance of a loyal team that works in the company for many years, because this supports the creation of a familiar and friendly atmosphere and customers appreciate the continuity. According to Anton Pichler, the turnover of employees is considerably lower compared to similar firms. The low turnover is achieved through the creation of a positive environment, an appropriate compensation and possibilities for training.

Continuous training is supported and funded by Adler Spa Resorts. This training takes place both internally through guest lecturers and externally. Only one example of the employees' development is that 15 of the 24 waiters, working in the Adler Thermae, have become certified sommeliers since they work for the company (Klaus Sanoner, PC, 2015).

Communication and coordination: The most challenging part of communication is the agreement between the most important actors of the company and therefore a good relationship within the owner-family and with directors is critical. Next to meetings and personal contact, the management uses communication over telephone and mail for daily inquiries (Klaus Sanoner, PC, 2015). This is necessary, because:

- Decisions made in the HQ in Ortisei need to be communicated to the different properties.
- Directors of the different properties share projects and some partners and suppliers.
- Documents, data and information need to be shared between the systems of the different hotels (Klaus Kier, PC, 2015).

Next to communication, coordination between the different properties is an important issue. Over the past years some employees have been charged with tasks overlapping the different structures, especially in the field of marketing and controlling. Further, the “system Adler” has been standardized becoming the same in all four hotels. Each hotel has a director, and the owners are constantly present in all properties. Every ten days a family member is in the far-

the subsidiary in Tuscany for a minimum stay of two days. In these days the daily schedule is precisely programmed and team meetings play an important role (Klaus Sanoner, PC, 2015). According to Andreas Sanoner, the biggest challenge is to maintain a coherent concept, even if each hotel is different and unique, for example in size and location. He argues that each structure should see itself as independent to increase motivation, and at the same time the company should maintain a coherent image and certain processes (e.g. marketing, appearance), should be standardized.

Social Capital and Networks: Relationships and networks may be helpful for the detection of business opportunities, the exchange of ideas and the creation of partnerships. Adler Spa Resorts has developed useful international contacts:

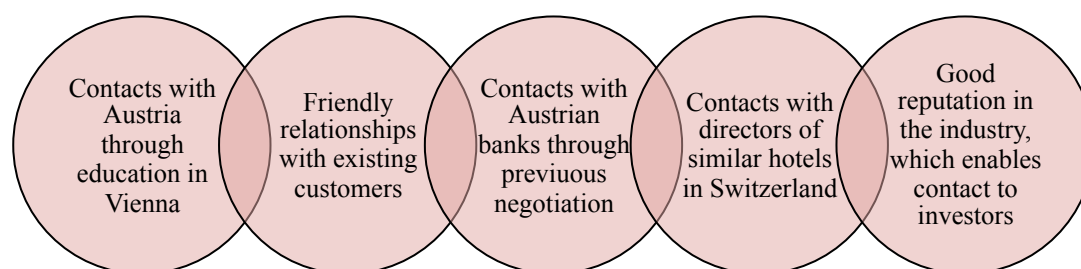


Figure 10: International relationships developed by Adler Spa Resorts.

Adler Spa Resort has obtained a good reputation in the hotel industry, also across borders, and is often contacted by other entrepreneurs, who propose collaborative investments, or by people, who know good business opportunities in domestic and foreign markets. However, the company has little experience with foreign authorities, suppliers and employees, which would be a new field (Klaus Sanoner, PC, 2015).

Andreas Sanoner qualifies the importance of networks. He argues that being part of a network requires a lot of time and has little benefit if not in context. Further, the experience in Tuscany has shown that relationships with public authorities, commercialists, engineers, architects and suppliers nowadays are quickly build, when a concrete opportunity, and therefore the necessity, arises. The most important factor for the negotiation with banks has become the company's rating. If the rating is high, banks compete for the companies' favour, and therefore contacts are quickly build (Andreas Sanoner, PC, 2015). Nonetheless, also Andreas Sanoner states that, if the decision for a specific project or location has been made, then networks become a crucial aspect.

Economic Model and Financial Capabilities: As an example for the economic model the revenue and cost composition of the Adler Thermae of the year 2014 is used (see Appendix G). The other three properties, however, have similar revenue and cost structures.

Total Revenues	€ 15,509,826.5
Lodging	74%
Spa Treatments	14.82%
Others (e.g. restaurant, minibar, sale of spa products)	11.18%

Table 7: Revenues of Adler Thermae in 2014 and their composition.

The composition of the operative costs of Adler Thermae is presented in Table 4.7.

Total costs	67% of revenues
Procurement of food and beverages	12.04% of revenues
Salaries	37.70% of revenues
Energy	3.57% of revenues
Maintenance	2.81% of revenues
Administration	2.58% of revenues
Marketing	2.99% of revenues
Operating costs	3.72% of revenues
Others	1.59% of revenues

Table 8: Operating costs of Adler Thermae and their composition in 2014.

According to Dieter Schnitzer, CFO of Adler Spa Resorts, salaries in the hotel industry should not exceed 35% of revenues. The high incidence of salaries can be explained through the high number of employees working in the spa division of Adler Thermae. If the revenues and the salaries of the spa division were not considered, the company would achieve salaries under 35% of revenues, and therefore the high incidence can be justified. Maintenance costs should be between 2.5% and 3%, marketing costs around 3% (Dieter Schnitzer, PC, 2015).

The difference between revenues generated from sold goods and the costs of sold goods gives the GOP (gross operating profit):

GOP (2014)	€ 5,117,985.8	33% of revenues
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A GOP over 30% is highly desirable in the hotel industry (Dieter Schnitzer, PC, 2014). In comparison Intercontinental Hotel Group Europe has a GOP of 26.25% in 2013 (IHG Corporate Review, 2015). According to the German tourism consulting company Treugast the GOP benchmark for hotels in the same segment lies between 28% and 32% (treugast.com.de).

The profit can be calculated by deducting investments, amortisations, interests and taxes:

Profit (2014)	€ 1,785,997.14	11.52% of revenues
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Next to revenue and cost system, it is important to mention some key numbers of the Adler Thermae (see Appendix H).

Overnight stays	65,694
Occupancy rate (occupied rooms / total rooms)	96.13%
RevPAR (Revenue per available room)	€ 515.96
Revenues/night generated by each individual guest	€ 236
Variable costs	81.7%
Fix costs	18.3%
Min. occupancy rate for covering fixed costs	68%

Table 9: Key numbers of Adler Thermae in 2014.

Klaus Sanoner states in the interview, “when we took [over](#) the Adler Dolomiti from our father, the financial situation was rather difficult and capital raising a huge challenge. Today we have a solid position, funding of new projects is not problematic anymore and we possess the required equity necessary for external financing”.

The prognosis of the generated cash flow is shown in the following table (see Appendix I).

Cash flow in 2015	€ 2,318,703
Cash flow in 2019	€ 4,287,871
Cash flow in 2023	€ 6,037,732

Table 10: Prognosis of the cash flow of Adler Spa Resorts between 2015 and 2023.

Each year € 1.54 million of the generated cash flow will remain in the company. The cumulated, available funds are expected to grow consistently over the next nine years.

Cumulated, available funds in 2015	€ 3,858,703
Cumulated, available funds in 2019	€ 21,038,540
Cumulated, available funds in 2023	€ 47,349,299

Table 11: Cumulated, available funds of Adler Spa Resorts in 2015, 2019 and 2023.

4.5 The Impact of Location Specific Factors

According to Hofstede (1983), cultural groups are defined by national boundaries. However, cultures and nations often are not equivalent. Further, economic and institutional settings might vary considerably between different areas of the same country (Zaoh, Luo & Suh,

2004) and aggregation biases may arise when country averages are used in cross-country analysis (Siedschlag et al., 2013). Therefore Adler Spa Resort should evaluate the attractiveness of a location on regional level. This approach allows studying culturally and economically more homogeneous objects and to take into account regional difference that otherwise would be neglected.

Both general business factors as well as more specific tourism attractors need to be considered when analysing a location's attractiveness (Enright & Newton, 2004). Some of the factors may be more relevant than others for the location choice of Adler Spa Resorts. The interviews conducted with the management of the company allow to investigate how the location specific factors, identified in the literature review, are relevant for Adler Spa Resorts and how they influence the location choice of the company.

Country Risk: According to Anton Pichler one of the most important aspects of a target location is that safety and security are guaranteed for guests. He states in the interview that this is definitely a prerequisite for successful internationalization, because otherwise consumers will not visit the hotel and it is difficult to find good partners and suppliers.

Legal Environment: Political and social stability, as well as a low degree of bureaucracy and a transparent legal environment are important characteristics of a target market for Adler Spa Resorts. These characteristics are not always given in Italy, and one of the reasons, why few hotel chains invest in Italy (Andreas Sanoner, PC, 2015). One example is the authorization process of the Adler Mountain Lodge, which took 13 years, and was therefore a difficult, time consuming and expensive process (Heady Communication, 2014b).

Even if Adler Spa Resorts has experience with the unstable legal environment in Italy, this experience is difficult to transfer to a different country and the owners desire to avoid complicated authorization processes, such as the one of the Adler Mountain Lodge, in future (Klaus Sanoner, PC, 2015). Therefore, low country risk can be ranked as an important characteristic of a possible target market of the company.

Further the target location should be characterized by:

- Low corruption.
- Low probability of political boycotts or currency crashes, which cause discontinuities in the flow of visitors (Crouch & Ritchie, 1999).

- Stability to build good networks with banks, suppliers, manufacturers and other partners.
- Transparent taxation, which is not subjected to individual interpretation.
- Stable economic laws and principles to guarantee the relevance of business plans, which are based on existing norms (Klaus Sanoner, PC, 2015)

The financial incentives, Adler Spa Resorts obtain for their current investments, are very low. According to Klaus Sanoner the government of South Tyrol in the Dolomites provides no capital incentives for investments in the touristic sector, but grants subsidies for interests.

However, these are very low. A similar context may also be an advantage for Adler Spa Resorts, since it prevents competitors from investing and increases the market entry barriers.

Infrastructures: Accessibility is an important issue for the hotels in the Dolomites, since the percentage of guests coming from the immediate vicinity is very low (2.3%). The local airport connects the region in the Dolomites only with Rome. The closest international airports are Munich and Milano, however they are over 300 km away. Also the main train station is not close, which means most guests arrive by car (Klaus Sanoner, PC, 2015). The difficult accessibility of the Dolomites is a main limitation to the internationalization of the customer base (Andreas Sanoner, PC, 2015). Therefore it would be interesting for Adler Spa Resorts to expand into a location, where accessibility is very good and to experience what consequences it has on the geographic origin of customers. However, good accessibility may mean also more competition, since others probably have already invested in an easily accessible location.

An aspect, which makes easier and comfortable accessibility attractive, is the trend of shorter durations of stay (Klaus Sanoner, PC, 2015). This trend can be seen in the whole region of the Dolomites, where the average duration of stay continuously decreased (Astat, 2015).

The customer of Adler Spa Resorts lives the nature and participates in outdoor activities. Therefore every infrastructure that makes the nature accessible is attractive for the company (e.g. lifts, cable cars, hiking and jogging paths, ski schools). Further, customers spend a lot of time in the spa and wellness area and use the hotel's internal offering. Therefore Adler Spa Resorts is not very dependent on events, festivals, museums or other cultural offerings (Klaus Sanoner, PC, 2015).

Industry: Since only 2.3% of customers are from the immediate vicinity, the local market size is not very relevant for the location choice of Adler Spa Resorts. Further, the company is delivering the product directly to the final customer, and therefore does not depend on local dis-

tributors. However, most national tourism industries depend on domestic demand (Crouch and Ritchie, 1999). Only if domestic demand is established, foreign demand can be triggered. This phenomenon can be observed also in the case company, since currently between 60% and 70% of customers are Italians and therefore from the domestic market.

Internal competition is an important influence factor for the location choice of Adler Spa Resorts. The reason why the owners have chosen Tuscany and the Alpe di Siusi for new projects, is that both are known, spectacular sights, but with low concentration of hotels (Klaus Sanoner, PC, 2015). This is coherent with the vision of Adler Spa Resorts to operate in unique locations, and a reason for the high profitability of the Adler Thermae and the Adler Mountain Lodge. Klaus Sanoner acknowledges that competition can be very fertilizing, because companies are forced to continuously rethink their offering and their competitive positioning. However, most touristic enterprises in the leisure segment operate very seasonal, while Adler Spa Resorts are open 11 months a year. The fact that during low season in very touristic places competitors, shops and restaurants are closed, makes them less attractive for Adler Spa Resorts (Klaus Sanoner, PC, 2015). One example is the new project in Sicily: the season there is concentrated on spring and summer. Adler Spa Resorts, however, want to operate also during winter. Therefore the company has chosen Torre Salsa as target location, because the area is not touristic and therefore there are no closed shops and restaurants around the hotel in wintertime.

Human Resources: The presence of a skilled workforce is very important for the location choice of Adler Spa Resorts. The reason is that in the hotel industry a high proportion of knowledge, experience and know-how is embedded in people.

In confront to the rest of Italy, South Tyrol has very good professional schools that educate young people for the touristic sector. However, the case of the Adler Thermae has shown that also a lack of good professional schools is not a big problem for the company. Adler Spa Resorts emphasize in-house education and training through division managers, which allow teaching employees the “Adler system” and educating them for the touristic sector (Klaus Sanoner, PC, 2015).

Labour costs are the second aspect of human resources. The salaries have a high incidence on the cost structure of Adler Spa Resorts (e.g. 37.7% of revenues in Adler Thermae). The demand for net salaries in the Dolomites is high. In addition the payroll taxes in Italy are very

high². According to Klaus Sanoner some neighbour countries, like Austria, have lower labour costs, even if the work force is highly educated.

Networks: The experience of tourists is not a product of a single firm, but there are many players involved in its creation: tourism enterprises (e.g. hotels, restaurants, public transports), supporting industries (e.g. museums, sport facilities, retailing, entertainment), the locals, the public sector and destination management can stimulate touristic activity (Crouch, 2010).

Procurement of food and beverages is an important cost factor for Adler Spa Resorts (e.g. 12.04% of revenues in Adler Thermae). Further, the presence of good suppliers increases the quality of many services such as restaurant, bar and spa treatments. Most products are purchased from local suppliers and manufacturers. The procurement is mostly handled through the purchasing company “Hogast”, which allows to obtain price discounts and to reduce administrative procedures (Klaus Sanoner, PC, 2015)

The availability of banks and financial institutions in the location is not really relevant, since projects can be financed also through external institutions, like the ones with whom Adler Spa Resorts have already established good connections (Andreas Sanoner, PC, 2015)

Technological environment: Good developed communication technologies and facilities are important for Adler Spa Resorts to enable the coordination within and between the different properties of the company. Further, they allow effective and punctual communication with customers, which are generally not located in the same area. According to the study of Enright and Newton (2004) communication facilities are among the most important factors for determining the competitiveness of a touristic destination. However, the cost of communication has not a big impact on the cost structure of Adler Spa Resorts (see Appendix G), and is therefore not a relevant characteristic of a potential target location.

According to Orfila-Sintes et al. (2005), the hotel industry is not characterized by heavy investments in R&D and the creation of technological innovations is not as frequent as in other, more technological industries. However, companies implement technological innovations, especially in the field of marketing and communications, once they are established. For these

² Net salaries averagely need to be multiplied with a factor of 1,84 to get the gross salaries (Dieter Schnitzer, PC, 2015).

reasons, the local expenditure in R&D activities is not an important characteristic of a potential location for the Adler Spa Resorts' internationalization.

Destination: Adler Spa Resorts have already reached good brand recognition and brand image within Italy, Germany, Austria and Switzerland, and customers would follow the company into many locations (Klaus Kier, PC, 2015). The company is not as dependent from a famous destination as smaller hotels, which do not have the capabilities to reach the customers by themselves (Klaus Sanoner, PC, 2015). Further, being located in a famous destination is not always beneficial, because competition is higher. According to Andreas Sanoner, the customers of Adler Spa Resorts expect the company to find new, unique spots and this is the reason why the new hotel, which will be located at the seaside, is planned in unknown Torre Salsa, and not in Cannes or Rimini (Andreas Sanoner, PC, 2015). An attractive, spectacular, but not necessarily famous location is part of the vision of Adler Spa Resorts and therefore a requisite for an international project.

Closely linked to a destination's reputation, is the presence of a good destination management. This can contribute significantly to a destination's competitiveness and attractiveness by increasing its reputation and improving the infrastructures and services for tourists. Klaus Sanoner states in the interview, that he experienced a big difference between the region of the Dolomites and Tuscany. He says, "Here in South Tyrol there is a lot of support from public institutions and from tourism associations, there is cooperation between touristic enterprises, more education possibilities for employees, support in marketing and the importance of tourism is better communicated to the society. All these things support the work of our hotels here".

Cultural Distance: Low cultural distance and market similarity increase the possibilities that the value offering of a company is accepted in a foreign market. Since the owners can imagine internationalization only with the same concept (Andreas Sanoner, PC, 2015), entering a culturally similar market may favour the acceptance of the value proposition. An expansion into the culturally similar, German speaking countries is rational, and facilitates many aspects such as risk reduction, because the expansion is easier to manage and the potential demand can be estimated better (Klaus Sanoner, PC, 2015). In addition, these countries speak the same language, and the social and economic environment is stable.

Geographic Distance: Adler Spa Resorts are a family managed business and the presence and coordination capabilities of the owners are crucial aspects of the company's success. Therefore, locations that are reachable within reasonable time are more attractive for the company's internationalization (Klaus Sanoner, PC, 2015). Expansion into closer markets like Germany, Austria or Switzerland would make sense not just because of lower geographic distance, but also because the brand is already known and a certain customer base established (Anton Pichler, PC, 2015).

On the other hand, farer markets, such as South or North America, have potential, because they offer still unique locations with low competition. In addition, they are characterized of political stability, shorter authorization processes, and lower bureaucracy (Andreas Sanoner, PC, 2015)

4.6 Firm and Situation-specific Factors

One important firm-specific factor influencing the location choice is the knowledge a company possesses about foreign locations. During the interviews it emerged, that the management of Adler Spa Resorts has many contacts to the German speaking countries of Europe through university and work experience and best knows the touristic destinations and hotels in these countries. These factors would facilitate the finding of good business opportunities and a foreign market entry.

Situation specific factors relate to the context in which a company internationalizes. Adler Spa Resorts would enter a foreign market by exploiting their current business model, and therefore the activities would be of strategic nature. Further, it is only possible to standardize certain processes of Adler Spa Resorts (e.g. booking, marketing, controlling), but the relationship and contact with guests is customized.

4.7 Entry Mode Choice

Adler Spa Resorts have grown considerably during the past years. Since 2004 the company has increased the number of properties from one to four.

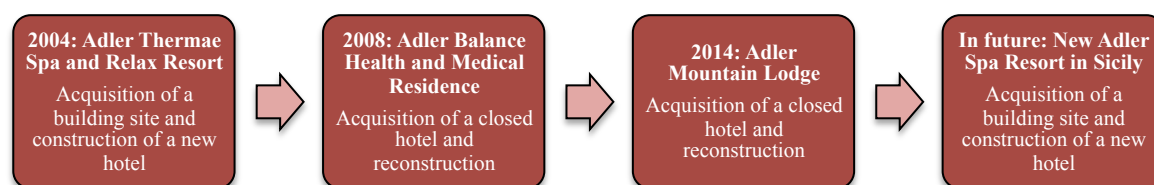


Figure 11: The expansion of Adler Spa Resorts.

Until today, the expansion of the company was pursuit through investments in wholly owned subsidiaries in the domestic market and therefore through equity entry modes. Even if expansion happened nationally, it involved different regions and a different language, and can therefore be seen of first steps towards internationalization.

Nonetheless, Adler Spa Resorts need to consider all different types of entry modes: exporting, franchising, licensing, management contracts, partnership, joint venture, acquisition or green-field investment.

Exporting is not a viable entry mode for hotels, because products and services must be located at the place of consumption (Gannon & Johnson, 1997). It requires therefore the proximity between customers and supplier (Quer, Claver & Andreu, 2007), since the whole value created lies in the visit of customers.

All other types of entry modes are a possible option for the internationalization of Adler Spa Resorts. This means that the company needs to consider both equity and non-equity entry modes. During the interviews the owners of Adler Spa Resorts were asked, which entry modes they would classify as suited for the internationalization process of the company. The findings are summarized in the following table.

Franchising	<ul style="list-style-type: none"> • Difficult because of the medium size of Adler Spa Resorts. • Necessity of an international brand. • Reluctance to hand over the brand to someone else.
Licensing	<ul style="list-style-type: none"> • Difficult because of the medium size of Adler Spa Resorts. • Necessity of an international brand. • Reluctance to hand over the brand to someone else.
Management contract	<ul style="list-style-type: none"> • Would not contribute to the goal to strengthen the brand of Adler Spa Resort. • No intention of the owners to work for someone else. • Adaption to the standards and the concept of Adler Spa Resorts may be difficult.
Joint Venture	<ul style="list-style-type: none"> • No participant addresses joint ventures in the interview
Acquisition	<ul style="list-style-type: none"> • Appropriate if a suitable target is found, otherwise difficult to adapt to the standards and the concept of Adler Spa Resorts.

Greenfield investment	<ul style="list-style-type: none"> • Appropriate because the concept and the standards of Adler Spa Resorts are integrated already in the architecture of the hotel: Ideal would be the acquisition of a building site with authorization of a hotel cubature of 35,000 cubic meters.
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Table 12: Preferences of foreign market entry mode of the owners. Sources: Andreas Sanoner, (PC, 2015) & Klaus Sanoner (PC, 2015).

Anton Pichler states during the interview, that he can imagine foreign market entry only with the same organization, the same concept and the same brand. Further he says, “I cannot imagine that the owners would enter a foreign market by being merely investors, without managing the foreign subsidiary”.

Nakos and Brouthers (2002) investigate three main variables that influence the decision of SMEs for equity or non-equity entry modes. The most relevant one for Adler Spa Resorts is the ownership advantage. The company is differentiating the value offering from competition by operating in a premium segment of the industry and by bundling many different services such as spa treatments, medical competence or outdoor activities (see 4.3). Further, the company would enter the international arena with the same concept and offering it is exploiting currently within its organizations. Therefore the ownership advantage of Adler Spa Resorts would be transferred to the foreign market in case of the company’s internationalization.

Next to the beliefs of the management and the ownership advantage, also the influence of home and host country specific factors needs to be considered to analyse which of the different entry modes is most suited for Adler Spa Resorts. The following table summarizes the findings related to home and host country specific factors.

Market Attractiveness	<ul style="list-style-type: none"> • Adler Spa Resorts seek to enter unique locations, which are relatively untouched by competition, and therefore probably have low market size and growth at the moment of market entry. • Market size and market growth are negatively related to ownership entry modes.
Country Risk	<ul style="list-style-type: none"> • Adler Spa Resorts seek to enter location with low country risk (see 4.5). • Country risk is negatively related to collaborative entry modes.
Legal Environment	<ul style="list-style-type: none"> • Adler Spa Resorts seek to enter locations with short authorization process and transparent legal environment (see 4.5).
Trust Propensity	<ul style="list-style-type: none"> • Italy is among the societies with a low trust propensity (Fukuyama, 1995).
Uncertainty Avoidance Index	<ul style="list-style-type: none"> • The UAI of Italy is equal to 75, which means Italians feel uncomfortable in front of ambiguous situations and try to create institutions and beliefs in order to avoid uncertain situations (Hofstede, 1983).

Table 13: Home and host country specific factors in the case of Adler Spa Resorts.

5. Discussion

5.1 Analysis of the Business Model and Competitive Advantage

The value created for the customers [resides](#) in the offering of an extensive vacation experience that provides the customer with lasting relaxation and health benefits. Adler Spa Resorts are offering a bundle of services, such as spa and medical treatments, outdoor activities and healthy and sustainable alimentation, which together provide wellness in a holistic way and create a multi-faceted vacation experience. The value offering of Adler Spa Resorts is to some extent customized: Each customer can choose which services to use and therefore create his or her own vacation experience. The amplitude of the offering makes the selling proposition of Adler Spa Resorts unique in the markets the company competes in.

Wellness and the concern about sustainable health are big trends in Europe. Euromonitor [\(2014\)](#) claims that wellness and spa is the fastest growing segment in the industry, in terms of demand and supply. In addition, the offering of Adler Spa Resorts is attracting more and more international guests. These two aspects lead to the assumption that the value proposition of Adler Spa Resorts can be transferred successfully to foreign markets. Further, markets should be selected, where the value proposition of the company is still unique, similar to the markets in Italy.

The revenues generated by Adler Spa Resorts remain mainly in the region and contribute to the economic development of the surroundings. The direct and indirect effects on the environment are mainly positive, because of the creation of jobs, the presence of guests in the region, who have a high spending power, and the collaboration with local suppliers and manufacturers. Nonetheless, touristic activities may have also negative effects on the environment, such as environmental damage, overcrowding, modification of nature, or price increases (Crouch & Ritchie, 1999). However, Adler Spa Resorts try to mitigate negative effects by choosing architectonic solutions that fit into the landscape, by using natural and sustainable materials and by educating employees and guests to protect the nature. Because of the value created for the environment, it can be assumed that a targeted location would support the market entry of the company.

The company is currently targeting customers, who are spa and sport affine, are looking for relaxation and activities in an attractive landscape, and have on average a high spending pow-

er. Since wellness vacations are becoming increasingly popular in Europe and the company plans to internationalize by leveraging the same concept, the company should target the same segment when entering a foreign market. In addition, the customer base of Adler Spa Resorts consists of many loyal guests and has become more international over the past years. These considerations lead to the assumption that through internationalization Adler Spa Resorts would not only be able to reach new customer segments, but also benefit from already existing, loyal guests, who follow the company into foreign markets.

The three mentioned core competences are the solidarity and entrepreneurial spirit of the owner family, the hospitality and the unique architectonic solutions. To become “core” a competence needs to be valuable, rare, difficult to imitate and exploitable.

The solidarity and the entrepreneurial spirit of the owner family can be defined as a core competence. In family owned businesses this competence is essential for the implementation of new ideas, the company’s strategic vision and innovations, and therefore very valuable. Such solidarity is difficult to find in companies of similar size and is a result of long history and experience. The competence is intrinsic and therefore difficult to imitate. The growth and qualitative expansion of the last 30 years is surely an example for the exploitability of the competence. Finally, the competence is exploitable, and necessary, when internationalizing.

Also the hospitality can be defined as a core competence. The familiar atmosphere and the heartiness of the staff is presumably very valued by customers. It is difficult to find the competence in hotels of similar size, because they often use more standardized approaches and procedures (Klaus Kier, PC, 2015). The competence is difficult to imitate, because it resides in people and has been developed through many years of history and experience. Adler Spa Resorts are currently able to exploit the competence in the existing properties. However, it can be challenging to transfer the capability to a foreign subsidiary, because it is embedded in people. Therefore human resources development capabilities are critical for the internationalization of Adler Spa Resorts.

The ability to create unique architectonic solutions cannot be defined as a core competence. The competence is indeed valuable, rare and exploitable, and this also in foreign markets. However, competitors can see and therefore imitate architectonic solutions. Nonetheless, it is a very important distinctive capability of Adler Spa Resorts and one of the main characteristics of the company.

All four existing properties are awarded with five stars³, and are therefore positioned in the upper segment of the industry. The company differentiates itself from competition through the amplitude and quality of the value offering and through the focus on spa, wellness and sport. This differentiation allows Adler Spa Resorts to charge a premium price. When entering a foreign market, the company should position itself in the same segment, since it has shown to be profitable, and it is coherent with the company's brand and with the targeted customer segment. Further, it allows differentiating the value proposition in a mature and very competitive industry.

Not only the offering differentiates the company from competition, but also the location of the properties in unique, unexpected sites, with low competition. This aspect plays an important role when deciding which location to enter.

Adler Spa Resorts have grown in past, and the owner family has the desire to further grow in future. Therefore, the investment model of Adler Spa Resorts can be defined as growth model, with the objective to create a strong, international brand in a controlled way. One way to achieve this goal is surely through physic internationalization. A second option would be further internationalization of the existing customer base. This option, however, has some limitations, because of the limited accessibility of the existing structures (e.g. no bigger airport near the hotels in the Dolomites) and limited capacity.

Competitive advantage is created if the six components of the business model are designed in a coherent way. This is currently achieved by Adler Spa Resorts: The company is able to create a comprehensive experience for customers, to target people, who value the offering, and to position itself in an attractive niche of the industry. Improvement, innovation and high quality standards are main objectives of the company (Klaus Sanoner, PC, 2015). This makes the Adler Spa Resort flexible and able to operate profitably in a highly competitive industry. The high occupation rate of the hotels, which fluctuates between 85% and 100% throughout the year, is very high compared to the average occupation rate of hotels in Italy (42.8% in 2013; Eurostat, 2014), and one indicator for the success of the company's business model.

³ The classification of hotels in Italy is mandatory and regulated by law. Five star hotels are categorized as luxury hotels and have to satisfy different conditions (e.g. reception opened 24 hours). Many European countries are part of the Hotelstars Union, which defines unified criteria for hotels in the EU. Italy plans to adapt these standards (Gianotto, 2014).

The business model of Adler Spa Resort is in line with the trend of wellness and medical tourism, and the desire of customers to escape their hectic life. Even if the hotel industry is mature, and characterised by the presence of numerous big and small competitors, the CAGR is positive and not expected to decline during the next years. Further, the company has effective relationship management systems like the Adler Friends Card, the Adler Newsletter and Instagram. These aspects indicate that the business model is sustainable, and will be successful also in future.

The value offering and the competitive positioning of the company are attractive also in foreign markets, the core competences can be transferred: This indicates that the company can achieve with its business model a sustainable, competitive advantage also in the international arena.

5.2 Analysis of Managerial and Organizational Capabilities

Support from top management, international experience and international orientation are prerequisites for internationalization, especially for SMEs (Lloyd-Reason and Mughan, 2002). Even if the management of Adler Spa Resorts has limited international work experience, the owners can be defined as open minded, growth oriented and ready for foreign market entry. Further, the knowledge, the company possesses about foreign markets through its marketing activities and through the contacts with loyal customers, mitigates the lack of international experience and helps the management identifying good business opportunities and suited partners (e.g. suppliers). One recommendation for Adler Spa Resorts could be the selection of markets, about which the company possesses prior knowledge, or the creation of partnerships with people that have the necessary experience in order to increase the amount of information available to plan the foreign market entry.

When entering a foreign market, Adler Spa Resorts have to cope with the challenges of a physical separation of the new operations from the HQ. The challenges lay especially in the area of communication between the different decision makers and in the coordination of the different properties. Even if it would be the first foreign market entry, the expansion into Tuscany, which is a very different and distant region from the Dolomites (e.g. different language, different culture), has increased the ability of the management to deal with the challenges of a different environment and to negotiate with partners from a different background.

In addition, the engagement of employees, who overtake overlapping tasks in marketing and controlling, increase the capability to coordinate the different properties, to standardize certain processes and to maintain a common philosophy.

Adler Spa Resorts can be defined as a very innovative company in an industry, which is usually not thought of being highly innovative. The constant effort to improve, to detect trends and to grow, leads to the assumption that the innovative capabilities of Adler Spa Resorts are highly developed, even if it is a traditional SME with a long history. The marketing division is one example of the innovativeness of the company: Traditional channels were complemented with new channels such as social media, online platforms (e.g. Tripadvisor, Booking.com) or relationship management systems. This led to the creation of new marketing capabilities and to the revaluation of existing ones. The creation of a common marketing division has improved the coordination between the different properties and increased the coherence and visibility of the brand. This will help to cope with the challenges of internationalization, because on the one hand a new property can refer to standardized procedures and already developed marketing know-how and marketing capabilities, and on the other hand communicate a coherent concept to existing and new customers.

The capability to develop human resources, which can be measured through incentive compensation, integration into decision processes or training possibilities, is one of the core competences of Adler Spa Resorts. The capability is extremely important for the internationalization of the company, because the know-how, the values and the philosophy need to be transferred to employees in a different cultural environment. With the opening of the hotel property in Tuscany the company has shown its ability to successfully transfer the values and the know-how of the company to a new team in a completely different environment.

When going international, the challenge to maintain a coherent concept and brand image increases. Currently communication between the division managers of different properties is not working efficiently and needs to be improved to guarantee the maintenance of a common concept. A recommendation to guarantee coherence is to choose a location, which the owners can visit at least every two weeks, similar to the Adler Thermae in Tuscany, because it increases control over the implementation of common standards and facilitates the coordination of the company as a group.

The friendly and familiar atmosphere within the organization, the solidarity of the owner family and the low turnover of employees are indicators for a strong bonding capital. However, like many SMEs, the company lacks a developed bridging capital. This can become a challenge for the internationalization process, because interesting opportunities are more difficult to detect and information less accessible. However, the case of the Adler Thermae has shown that many relations can be build when a specific project is born, for example with banks, suppliers, public authorities or manufacturers. Important is that the location is stable and provided with suitable partners. The company has a good rating and a reputation to fulfil agreements (Anton Pichler, PC, 2015). Therefore it can be assumed, that the company is able to build the necessary networks, if the concrete international project arises.

The financial situation of Adler Spa Resorts is very solid. The continuous growth of revenues gives credence to the value offering of the company. The fixed costs are very high, compared to the variable costs, decreasing the ability of the company to react to cyclical fluctuations. However, this can be justified, because the hotel industry is generally characterized by high fix costs, since salaries, energy costs and part of the procurement do not vary with the occupation rate. The good rating of the company and the positive prognosis of the company's cash flow show that Adler Spa Resorts have the necessary solidity to obtain credits and will accumulate during the next years enough available funds to finance new projects.

Adler Spa Resorts possess the strategic capability to enter the international arena successfully. Marketing, communication, human resource development and financial capabilities are extensively developed. Adler Spa Resorts are innovative and have therefore the flexibility to respond fast to environmental changes and to implement new ideas and projects more efficiently. The company lacks a developed bridging capital, however, it possesses the necessary resources to build a network when necessary.

Further, a critical success factor for hotel chains is the balance and integration of the single units into a corporate portfolio (Gannon & Johnson, 1997). Each property of Adler Spa Resorts competes locally and profitably on its own, but has also developed the necessary capabilities to transfer knowledge to other properties and is coordinated efficiently by the owners. The accumulated experience further strengthens the assumption that Adler Spa Resorts are ready for international expansion.

Adler Spa Resorts would internationalize at a late stage. Therefore the company can benefit from the home-consolidated knowledge and experience and take an advantage from exploiting existing capabilities (Prange & Verdier, 2011). However, this advantage can turn into rigidity. With its innovative capabilities, Adler Spa Resorts are able to avoid this inertia, and have the potential to successfully enter the international arena.

5.3 Analysis of Location Choice

The potential location for the internationalization of Adler Spa Resorts needs to be safe and secure. This is important on the one hand, because it has to be safe for customers to travel and to visit the foreign operations of Adler Spa Resorts. If this condition is not satisfied, the ability of the company to attract visitors will be significantly compromised. On the other hand, the location needs to be safe for the investment of Adler Spa Resort. This means that the legal environment and the government are stable, that laws and taxation do not change unexpectedly, and that authorization processes are short and transparent. These conditions make the outcome of an investment more predictable. Stability of the location is necessary to achieve the objective of controlled growth and to safeguard the solid, financial situation of the company. Further, Adler Spa Resorts plans to enter the international arena by leveraging its core competences and to benefit from the capabilities it has developed in the home market. This makes a location with low economic and political risk attractive to protect the firm's knowledge and competitive advantage.

The offering of Adler Spa Resorts is very dependent on other industries and enterprises, such as local suppliers, retailing and manufacturers. Therefore a stable political and economic environment is necessary to create networks with partners that can be maintained in the long term and with whom good collaboration to improve the services and products is possible.

Basic infrastructures for communication, water and energy must be available and efficiently organized within the target location to enable the activities of Adler Spa Resorts. Good communication facilities, such as phone and Internet connection, are a necessity to communicate with customers, suppliers and other partners, and to maintain coordination with the other properties of Adler Spa Resorts. In leisure tourism, touristic infrastructures are a critical success factor (Haven-Tang, Jones & Webb, 2007). Infrastructures that facilitate the access to nature make a location attractive for Adler Spa Resorts. However, since the offering of the

company is very broad, and customers spend a lot of time within the company, other touristic infrastructures such as cultural events, museums, festivals, public swimming pools and entertainment facilities are not necessarily relevant for the location choice of Adler Spa Resorts.

Accessibility of the location must be guaranteed on the one hand for visitors and on the other hand for the owners of the company. The trend for short holidays makes easy and quick access to the location attractive for the company. Further, good accessibility makes the company less dependent on single markets and the foreign location reachable for the many loyal customers, especially from the home market in Italy. However, good accessibility may indicate that competitors have already entered the location. This is difficult to combine with the vision of Adler Spa Resorts to avoid highly competitive markets and to find unexpected spots for their properties.

A location's reputation as well as an efficient destination management influences significantly the attractiveness of a location (Haven-Tang, Jones & Webb, 2007), but being located in a famous destination means also that competition is generally high and big hotel chains are already operating. Adler Spa Resorts have developed good marketing skills and have reached sufficient brand awareness to set up activities in unknown, but appealing destinations, which match the company's objective to avoid competition. This means the company needs to find locations that are attractive, that do not depend on seasons and where activities can take place throughout the whole year, but which failed to communicate their appeal to the market. In these locations Adler Spa Resorts has the opportunity to operate without encountering high competition and to develop a marketing strategy that communicates the uniqueness of the location to the market. The market entry of the company into Tuscany has shown, that Adler Spa Resorts can become very successful in a sedate region, where destination management has previously failed to communicate the attractiveness of the region to the market (Anton Pichler, PC, 2015). The success of the Adler Thermae (e.g. 93% occupation rate in 2014) leads to the assumption that a weak destination management can even increase the attractiveness for Adler Spa Resorts, because the market remains undetected by competitors and companies are not incentivized to enter.

Defever (2012) argues that for service firms the average unit wage cost is not as influential for the location choice as the availability of a highly skilled labour force. However, the hotel industry is very labour intensive (e.g. Adler Thermae: salaries 37.7% of revenues). Therefore,

selecting a location with low labour costs and more flexible labour laws would enable the company to increase directly its profits, to improve services for customers or to react to fluctuations in demand. Adler Spa Resorts possess good human resources developments skills; in-house training and education play an important role. For these reasons, it is attractive for Adler Spa Resorts to find employees who are willing to learn and highly motivated, rather than fully educated.

One of the distinctive elements of the value offering of Adler Spa Resorts is the high quality of products used for the spa treatments and the gastronomy. Mc Dermott and Handfield (2000) emphasize the possibilities of networking with suppliers. Adler Spa Resorts handle most of their procurement through the purchasing company “Hogast” (Klaus Sanoner, PC, 2015), which offers price advantages, and takes over administrative work by providing insurance, mobile phone contracts, different forms of payment handling and other services (hogast.it, 2015). Locations, which offer similar solutions, are very attractive for the internationalization of Adler Spa Resorts. Further, finding suppliers that offer regional products of high quality (e.g. wine, fruits, vegetables, dairy products, meat) are a crucial aspect for maintaining the standards of Adler Spa Resorts also in foreign markets, because the Dolomites and Tuscany are both regions famous for their gastronomy and for their agricultural products.

Cultural distance and geographic distance have important consequences for the organization and coordination of international operations. First of all, a similar culture in the foreign market allows making better predictions about how the value offering of the company is accepted in the new market, both by customers and by other stakeholders. A similar culture would help to make the implementation of activities easier, to benefit from existing marketing and human resources development capabilities, to transfer knowledge and knowhow without conflicts, and to build relationships with suppliers and employees in the same way as in the home market. Also, the presence of the same language would increase the location’s attractiveness, because it makes communication with employees and suppliers easier.

Geographic proximity facilitates as well the transfer of resources and knowledge, which are significant challenges for the internationalization of Adler Spa Resorts. Further, it improves the accessibility of the international operations by the owner family facilitating the coordination of the group. If the international operations were reachable within 6 to 8 hours, it would make governance, like in Tuscany, possible. Everything, which is not reachable within this

time, makes coordination, as it is currently handled by Adler Spa Resorts, and control of a common philosophy more challenging.

The German speaking countries of Europe, i.e. Germany, Switzerland and Austria, would be very interesting for an expansion of Adler Spa Resorts. The basic conditions are very positive in these countries: political, social and economic stability, developed infrastructures, geographic proximity and transparent taxation. Next to the fact that these countries speak the same language as the owner family, value system, work ethics and traditions are very similar to the ones in the Dolomites. In addition, the company possesses already good knowledge about these countries, on the one hand, because Adler Spa Resorts have many customers from these areas, and on the other hand, because the company has some good contacts, which facilitates the creation of networks with partners and suppliers. However, the main disadvantage of the German speaking countries is high competition. This means investments can become very expensive and the achievement of a good, competitive positioning more difficult. However, it may be possible to find the untouched, but spectacular locations also in these countries.

In conclusion it can be stated that it is difficult to analyse a priori the attractiveness of regions for the expansion of Adler Spa Resorts, since the company is looking for new, unique sites that are still untouched by competition. However, if an attractive spot is found, these location needs to fulfil some location specific conditions: The natural resources make the location attractive for Adler Spa Resorts. However, it is necessary to have the political and economic stability, the infrastructures, the human resources and the suppliers to exploit the location's advantage and to bring the natural assets successfully to the market. Other factors identified in the literature review, for example reputation, destination management and market size, have no significant impact on the location choice of Adler Spa Resorts, because the company has developed the capabilities to develop these factors once deciding to enter the market.

5.4 Analysis of Entry Mode Choice

The analysis of the business model has shown that Adler Spa Resorts aspire sustainable and controlled growth (Andreas Sanoner, PC, 2015). With the opening of the Adler Thermae in Tuscany the company has expanded into a culturally different market. The planned project in Sicily represents a further expansion into a completely new and different location compared

to the Dolomites (e.g. lower competition, different culture, language and economic situation). These were the first attempts of physical separation of the company. Nonetheless, Adler Spa Resorts entered these markets through full ownership entrance, which means higher resource commitment and higher risk, but also more control and profit potential, were accepted.

Adler Spa Resorts is at the beginning stage of its internationalization process and has gained few experiences in foreign markets. Nonetheless, it would be too simple to conclude that the company should start expanding internationally with low resource commitment as suggested by the stage model proposed by Johanson and Vahlne (1977). The first reason is that the company's growth strategy was so far implemented directly through equity entry modes. Even if expansion took place only in Italy, it allowed gaining experience in the field and showed that the company has handled equity entry modes very successfully. Second, a rational entry mode choice depends from different factors, such as location, firm and situation specific factors, and from the ambitions and beliefs of the owners, not just from the current degree of experience and the current stage within the internationalization process. Third, service firms often do not follow the continuum of increasing levels of resource commitment as proposed by the stage model, because they are able to acquire knowledge and information to reduce uncertainties and to mitigate risks elsewhere, without having experience in a specific market (Melià, Pérez & Dobón, 2010).

Similarly, considering only the transaction costs, as proposed by the transaction cost economics theory, leads to the wrong decision of entry mode for Adler Spa Resorts, because firm or other location specific variables are neglected. Therefore, to overcome the weaknesses of the two main theories, the hierarchical model is used to analyse the suitability of the different entry modes for Adler Spa Resorts. This model is useful, because it considers different levels, and at each level takes into account different variables.

At the first level, the decision between equity and non-equity entry modes needs to be addressed. The most important influencing factor is the ownership advantage of Adler Spa Resorts. The core competences and capabilities, which provide the company with a sustainable competitive advantage and an attractive positioning in the market, are transferred to the foreign market in case of internationalization, because the company wants to maintain the same concept and brand. Selecting equity market entry modes allows the company to protect the

transferred know-how and capabilities such as marketing capabilities, human resources development capabilities and communication capabilities from imitation.

When analysing the different types of non-equity entry modes, it results that their implementation is difficult for Adler Spa Resorts.

First of all, exporting is not viable because in the hotel industry production cannot be separated from consumption. Franchising and licensing are difficult given the size and the management of the company (Andreas Sanoner, PC, 2015). These two solutions make influence, central coordination and maintenance of standards, which are priorities of the management, challenging. Further, they are mostly used in the hotel industry to achieve high geographical coverage in short time (Gannon & Johnson, 1997), which is not a main goal of the internationalization of Adler Spa Resorts. Finally, Adler Spa Resorts have little international experience in foreign markets. This makes the search of suited partners for franchising and licensing, and their control, challenging. Another non-equity entry mode, which is very common in the hotel industry, is the mode of management contracts. The advantage here is the low intensiveness of capital. However, management contracts make the strengthening of the brand difficult, because it means managing the hotel for a different owner according to the rules established by the contract and because finding targets, which correspond to the concept of the owners, is difficult.

Therefore it can be stated that Adler Spa Resorts should choose an equity entry mode when entering a foreign market. This would allow benefiting from the ownership advantage and to achieve the goals of controlled growth, brand strengthening and concept coherence.

There are different types of equity entry modes, which vary according to the control maintained by the firm, varying from full ownership to different levels of shared ownership.

First, transaction costs play a role. The transaction costs may be high for Adler Spa Resorts since the company has relatively little experience in negotiating with foreign partners. For this reason it could be on the one hand difficult to find suited partners for collaboration, and, on the other hand expensive to monitor partners once they have been found. This makes full ownership entrance more attractive for Adler Spa Resort in order to avoid the selection of wrong partners or opportunistic behaviours.

Second, the location choice analysis has resulted that Adler Spa Resorts should select locations that have a low country risk and a transparent, stable legal environment. These condi-

tions reduce the advantages of collaborative entry modes, which reduce the operational risk and provide the firm with more flexibility to deal with uncertainties. Further, the company is looking for markets with low competition, which means that generally a lower amount of resources is necessary to enter successfully. Also this mitigates the advantages of collaborative market entry modes. Further, the company is looking for unique and new locations. Therefore it can be assumed that the target market will be relatively small in size and growth. These conditions make collaborative entry modes less attractive for Adler Spa Resorts, since it is not necessary to enter the market with a high amount of resources and in short time to avoid the costs caused by a delayed market entry.

Third, Italy is characterized by high uncertainty avoidance and low trust propensity. This indicates that the owners, which are part of the Italian culture, and the organization as a whole may prefer clear structures and high control, meaning that full control entry modes may be more attractive for Adler Spa Resorts.

Even if full ownership market entry means more resource commitment and operational risk, it allows increasing the degree of control. This is critical for Adler Spa Resorts, because it means keeping and protecting the concept of the company without endangering the coherence of it. Further, full ownership market entry would protect the know-how, the critical resources and the core competences of Adler Spa Resorts, and therefore the firm specific advantage and the competitive positioning in the new market. In addition, it would allow retaining independence in decision-making, which is an important condition for the owners of the company (Andreas Sanoner, PC, 2015). Even if collaborative entry modes facilitate the market entry, because it is easier to obtain information and it reduces risk, the company has the necessary marketing capabilities and gained experience through the expansion into Tuscany to acquire information about the local environment also without the help of local partners.

For the above cited reasons, Adler Spa Resorts should choose a full ownership market entry, because it allows retaining independence, strengthening the brand, protecting the competitive advantage and leveraging the existing capabilities and resources.

Full ownership market entry can happen through acquisition or greenfield investment. It is difficult to find an acquisition target that can be perfectly adapted to the standards of Adler Spa Resorts, because the concept of the company is already incorporated in the architecture (e.g. integration of the buildings into the landscape, use of natural materials of high quality,

space for extensive spa and sauna worlds). Further, it may be difficult to implement the Adler philosophy into an already working organization, without having problems of knowledge transfer and conflicts between different organizational cultures.

It can be assumed that greenfield investments are the most suited entry mode for Adler Spa Resorts, since they allow the realisation of the concept from the beginning on. It is also the entry mode the owners see as the most viable for the internationalization of the company. Nonetheless, greenfield investments have the disadvantage, that Adler Spa Resorts would enter a new market without having prior access to market share, local reputation and local knowledge. Since every hotel of Adler Spa Resorts is managed by its own director, while the group as a whole is coordinated by the owners, it can be recommended, that, in the case of foreign market entry, a director from the target location should be chosen to mitigate the lack of local knowledge and experience. Also employees from the target location should be hired if possible. This solution would help to reduce the disadvantages of greenfield investments, increase information flow between the company and the environment, help to find suited local suppliers, and encourage the creation of new capabilities. A further recommendation is to bring the new director and the new division managers for some month into the existing Adler properties to introduce them into the company, to transfer know-how, and to teach them the most important processes and the whole concept of Adler Spa Resorts.

In conclusion, it can be stated that Adler Spa Resort should enter a foreign market through a full ownership investment. However, the entry mode analysis was made without having chosen previously a specific location, but by considering only general characteristics, prerequisites and preferences the target market should have to be attractive for Adler Spa Resorts (see 5.3). Therefore, when a specific location or opportunity is found, the different market entry modes need to be reconsidered in order to assess the influence of host country specific factors, such as market attractiveness, country risk and legal restrictions, more in detail.

6. Managerial Recommendations

Overall, it can be said that Adler Spa Resorts is facing some challenges when internationalizing. However, the company possesses the capabilities to cope with them. The main challenges refer to the development of the business model, the physical separation of the company, the lack of experience in the international arena, the transfer of knowledge and capabilities, the development of networks, the choice of the right target location and the most suited entry mode. The following managerial recommendations have been developed for the decision makers of Adler Spa Resorts to deal with the mentioned challenges.

First, Adler Spa Resorts should enter the international arena with the same business model as already implemented in the existing hotel properties. To include an extensive spa area is no problem in the case of a greenfield investment, but the acquisition of an operating hotel is only attractive if it is already provided with an extensive spa area or with the possibility to build one. Leveraging the same business model would allow the company to benefit from existing competences and customers, and to achieve the same profitable positioning in the premium segment. The international activities need to maintain the same standard as the existing resorts in order to not damage the brand. Therefore, top down coordination by the owners is necessary.

Second, the communication between division managers is currently not maximally efficient. Adler Spa Resorts should develop new processes to develop its communication capabilities, in order to facilitate the flow of information, experiences and knowledge between all actors of the company and to reduce the challenges of coordination. One possibility to improve information flow is to introduce periodic meetings between the division managers of different properties or to introduce a more sophisticated conference system.

Third, the company needs to find unique and untouched sights for its international operations in order to not deviate from the vision to create special properties in spectacular locations. So far the owners detected the unique locations for their investments while travelling privately or through networks with business partners and guests. Therefore the owners should invest more time in maintaining networks with interesting business partners, for example financial institutions, other hotel owners or influential guests. Further, the target location should be characterized by low competition, at least in the same segment, in order to achieve the same profitable

and differentiated positioning as in the home market and to exploit the increasing demand wellness and health tourism in Europe.

Fourth, the company should choose a location with low geographic distance because many processes of the company are customized, and can therefore not be standardized. If geographic distance is high, coordination of the different properties becomes more challenging and may not be handled by the management because of their limited time. A similar coordination, as it is handled in the existing properties, should be enabled through low geographic distance.

Fifth, Adler Spa Resorts should seek to enter locations with low cultural distance, because it facilitates transfer of know-how and coordination. If the company possesses already some knowledge about the target markets, it becomes easier to build networks, to transfer resources and capabilities, and to integrate the new property coherently in the company's portfolio.

Sixth, it can be recommended to enter a foreign market through full ownership market entry mode. A greenfield investment would allow the realization of the "Adler" concept from the beginning on. The company possesses some prior knowledge through the expansion into Tuscany, which can be transferred to the realization of the new project. Further, this solution allows protecting the ownership advantage, the know-how and the core competences of Adler Spa Resorts.

7. Limitations and Further Research

After the managerial recommendations have been formulated, the main limitations of the present dissertation need to be mentioned.

First, most research about internationalization focuses on the manufacturing industry, while research about the hotel industry is limited. Therefore assumptions have been made for the relevance of theories for the present topic.

Second, the qualitative research is based on in-depth interviews. These interviews were conducted only with decision makers from Adler Spa Resorts, which may be biased through their subjectivity on the topic and on the organization. Interviews with decision makers of already international SMEs or with informants from outside the company could have added more detail and in depth information to the issue. In addition, the fact that the author is part of the

owner family and worked in the company may compromise the objectivity of the author, even if she tried to see the topic from outside.

Third, one limitation of the analysis of the company resides in the choice of one specific business model over others. Because there exist many different definitions of business model, it implicates that certain variables is given more importance than others.

Fourth, because of time and scope limitations it was not possible to conduct a specific market research to analyse in depth single destinations according to their attractiveness. However, the general consideration of location choice allowed identifying location, firm and situation specific factors that are relevant for the decision of Adler Spa Resorts.

Finally, the hierarchical model was chosen to address the entry mode analysis of Adler Spa Resorts. This is just one of many models developed to address this decision. However, because the model considers many different variables and it is easy to use in practice, it is an appropriate choice for the present dissertation.

Even if the project shows some limitation, it represents a good exploratory research to assess if Adler Spa Resorts should pursue internationalization and, if yes, with which strategy. Further research can be conducted to address how exactly internationalization should be implemented. After a specific market research has been conducted to understand how the competitive environment of the target location is shaped, and the most suited entry mode has been identified, the next step would be to develop a detailed business plan. The business plan should contain a detailed description of the project, the budget with financing, revenue and cost analysis and preview for the next ten years, the marketing strategies, and the organisational structure of the subsidiary.

8. Conclusion

In the past century the world has witnessed rapid internationalisation. Also SMEs are increasingly seeking growth in foreign markets. However, they are facing different challenges when going international, such as dealing with resource constraints, weak managerial capabilities or informal organizational structures.

The present dissertation identifies if Adler Spa Resorts should internationalise to pursue its growth strategy and, if yes, through which strategy. To answer these questions and to formulate managerial recommendations, the company, the location choice and the entry mode were analysed more in detail. In-depth interviews with the decision makers of the company were conducted to generate valuable data and information.

The company analysis has shown that the current business model provides Adler Spa Resorts with a sustainable, competitive advantage and a profitable positioning in the market. Further, the company possesses the necessary financial resources, and organizational and managerial capabilities to cope with the challenges of internationalization and to manage the process successfully.

The location choice analysis has shown that the target location for the internationalization of Adler Spa Resort should be unique in its physiography. In addition, the target location needs to be safe, have a transparent legal environment, low labour costs, and good local suppliers. Further the location should be characterized by low cultural and geographic distance to the HQ in the Dolomites.

The entry mode analysis has shown that Adler Spa Resorts should enter the target market through a full ownership entry mode. A greenfield investment would allow the company to protect the competitive advantage and know-how, to leverage existing capabilities and to realise the international operations according to the standards and the concept of the company.

In conclusion, it can be said that going international is a valid strategy to grow Adler Spa Resorts in future, to strengthen the brand internationally, to reach new customer segments and to benefit, through a good location choice, from a more favourable legal and economic environment compared to Italy. Further, the dissertation provides a guideline to SMEs, operating in the hotel industry, about the evaluation and assessment of internationalisation, providing therefore a contribution to the existing lack of research in this field.

9. References

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10. Appendix

10.1 Appendix A: Set of questions for the in-depth interviews

The first part of the interview focuses on the current business model of the Adler Spa Resorts:

1. How would you describe the value offering of Adler Spa Resorts and what differentiates it from competition?
2. What competences and capabilities make Adler Spa Resorts unique?
3. What value do Adler Spa Resorts produce for different stakeholders such as employees, manufacturers, suppliers and the society in general?
4. How would you describe the typical customer of Adler Spa Resorts?
5. What are the ambitions and goals for the company for the next years and how important is growth to you?⁴

The second part of the interview focuses on the resources and capabilities, which are necessary for successful internationalization:

6. How would you describe your international experience?
7. Which innovations did Adler Spa Resorts introduce during the past years and how would you define the innovativeness of the company?
8. How is the marketing of Adler Spa Resorts handled and how does the company try to reach international customers?
9. Employees are one of the most important resources of the hotel industry. How does Adler Spa Resort manage human resources and the development of human resources?
10. How does communication and coordination between the different properties currently work and what are the biggest challenges?
11. How is the financial position of Adler Spa Resort and how easy is the access to credits?

⁴ This question was asked only to the owners of the company.

The third part of the interviews focuses more in detail on a potential internationalization of Adler Spa Resorts:

12. What would you expect from an international expansion of Adler Spa Resorts?
13. Do you occupy yourself with foreign destinations and markets?
14. Which foreign markets would you classify as most suited for an expansion of Adler Spa Resorts and why?
15. Which differences and advantages should a target location have compared to Italy?
16. How would you classify the contacts and integration of Adler Spa Resorts in international networks?
17. Where do you see the advantages and disadvantages of different market entry modes and which is according to you the most suited one?⁵

10.2 Appendix B: Interview Klaus Sanoner

Klaus Sanoner is owner-manager of Adler Spa Resorts. The interview with him was conducted on the 2nd of May 2015. The interview has been recorded, transcribed and translated into English:

Question 1:

“The brand Adler Spa Resorts connects vacation experience with an extensive offering of wellbeing and sustainable health. The brand stands for relax in the upper, premium segment of the hotel industry. All properties are located in places that offer access to a very attractive landscape, for example the Unesco Natural Heritage Dolomites or the Unesco Cultural Heritage Val d’Orcia. The locations offer many opportunities for outdoor and sport activities in untouched nature. A holistic spa offering with medical competences and extensive water and sauna worlds are a further characteristic of the value proposition of Adler Spa Resorts. In the gastronomy the team treats our customers with products of high quality, which we purchase directly from suppliers from the respective region in order to promote a short supply chain.”

⁵ This question was asked only to the owners of the company.

Question 2:

“The different resorts are characterized by unique architectonic solutions and high quality infrastructures. What makes us unique is also the experienced team that operates like a big family and the solidarity, authenticity and innovativeness of the owner family.”

Question 3:

“Our resorts are open 11 month a year, with a permanent occupancy rate between 90% and 100%. The positive effects on the surroundings are not seasonal, but evenly spread over the whole year. Shops, cafés, bars, restaurants, lifts, ski schools and guides benefit directly from the presence of our guests in the town. In addition, our activity also has a positive effect on the local economy, because we purchase products from local suppliers. In the gastronomy and the wine offering we use regional products. Also in the spa division products from the surroundings are used. Because we are constantly investing in maintenance, renovations and expansions, the local building and manufacturing sector experiences positive effects through our activities. The annual jobs we offer are very attractive for local employees. All the mentioned factors have the consequence that the revenue generated through our customers remains mainly in the region.”

Question 4:

“The typical Adler customer comes from the upper social class. He is active and health conscious. He loves activities in attractive landscapes, is spa affine and seeks social contact with other guests and employees. The typical customer eats healthy. In the gastronomy he appreciates the use of products from local, agricultural enterprises. The typical customer is difficult to categorize according age, since many guests remain loyal to the company over many years, and visit the resorts therefore throughout different phases of their life. Geographically he is situated mainly within a radius of 400km.”

Question 5:

“Tradition and innovation are two important aspects for us. We appreciate tradition and experience, but at the same time we question current formula for success, convictions and dogmas. Our goal is to detect trends early, to keep our curiosity and to dare new adventures. We want

to remain flexible and satisfy the passion for construction and new projects. An important issue is the generational change, which we aim to manage successfully and without conflicts. The fulfilment of these ambitions is possible through international expansion, but these ambitions facilitate also the successful implementation of internationalization.”

Question 6:

“I have managed the company since 32 years. I started after I graduated from the Business School of Vienna. My responsibilities are constantly changing, also through the emergence of new challenges and the expansion of the company. I was raised bilingual, studied English at university, and a couple of years ago I started learning French. I never worked in foreign countries, but I participated at different marketing activities in foreign countries. With family and friends I travelled to many foreign countries.”

Question 7:

“Despite the long tradition, Adler Spa Resorts can definitely be defined as innovative. Already in 1989, through the construction of a first spa area, the fundament for the first wellness hotel in the Dolomites was created. Very early we detected the trend for outdoor and sport activities in attractive nature and started to offer an extensive, guided outdoor program. The water and sauna worlds of the resorts were always ahead of time. Now we have with the Adler Dolomiti the biggest hotel water world in the Dolomites and with the Adler Thermae the biggest hotel water world in the province of Siena. The spa offering was completed through the adding of medical competences and through the employment of five doctors. The trend of sustainable, healthy alimentation and of local products was early detected. We are constantly refining and questioning. But innovation can go further: we need to work at more innovative projects than all other comparable companies in our industry. We need to honour mistakes, because firms without defeats are creatively dead. We need to dare experiments every day, without, however, endangering the company.”

Question 8:

“A good marketing starts with the product. We detect customer preferences and customer satisfaction through different ways: personal contact, questionnaires, and online evaluation platforms. We try to be always on top with our offering. Our capital is the archive with over

100,000 addresses of customers. We try to build all marketing competences internally. However, this was not always easy or possible because of the fast development of online marketing and new media in the past years. We are present on many foreign markets. For the occupancy of the properties, however, guests from the surroundings are more relevant, because they book more independent from seasons. We hope that the generational change can help us with our marketing activities and provide many inputs for the handling of new channels and media.”

Question 9:

“All employees are strongly integrated in the decision processes of the company. Periodically meetings of the single divisions take place. Once a week there is a meeting with all division managers. Employees identify themselves with the company. Education and training is strongly supported, costs are beared by the company. It happens mainly through internal training, but sometimes we invite also external lecturers. We also support external training: for example in the Adler Thermae 15 of the 24 waiters are educated sommeliers. We put a lot of emphasis on a good working atmosphere. Only if employees feel comfortable, they can transmit a good vacation experience and atmosphere to the guests. Because of the fair payment, the many training possibilities and the good working climate, our turnover of employees is considerably lower as in comparable hotel companies. In addition the continuity of the team is highly appreciated by our guests.”

Question 10:

“We have employees that overtake overarching tasks, especially in the area of marketing and controlling. The ‘Adler System’ is standardized and the same in all four properties. All properties are managed by a director. In the resorts here in South Tyrol we are constantly present. Both Andreas and I drive to the Adler Thermae once or twice a month for averagely two days. This means more or less every 10 days a member of the family is there. During these days the program is exactly scheduled. Especially team meetings play an important role during our visits. In addition, we also have the possibility to communicate over an Internet conference system with directors or employees. The biggest challenge is a good coordination and precise agreements between the most important actors of the company. The good collaboration within the family and the good relationship to the directors are crucial for successful coordination.”

Question 11:

“When we started 32 years ago, obtaining credits was very difficult. Now all properties, or rather Adler Spa Resorts as a group, have a very solid position and the hotels are only slightly or not at all indebted. Because of this, financing of projects is not problematic anymore. The necessary equity for an external financing of new and bigger projects is existing.”

Question 12:

“Expansion surely gives the existing resorts new inputs. A property in a foreign market would help to reach new customer segments for the group. Our division managers and we ourselves could learn a lot through internationalization and collect new experiences. The exchange with new employees helps and enables us to question the existing ‘Adler System’.”

Question 13:

“A hotel manager constantly compares himself with similar positioned companies, also in foreign markets. A comparison with other companies is very important for the definition of the concept, the product and the pricing. Very enlightening are visits of top hotels. Also during family holiday, we always used the time to compare ourselves and to visit interesting hotels.”

Question 14:

“An expansion into the nearer, German speaking markets makes a lot of sense because of the cultural similarity. It would be less risky, because the acceptance of the offering is easier to evaluate. The social environment is stable and negative surprises improbable. The easy and fast accessibility of the potential international operations through division managers and family is given. The management of the property could be handled similarly to the Adler Thermen.”

Question 15:

“In the previous mentioned markets, it is known that authorization processes of projects are shorter and less problematic than in Italy. If problems occur, the finding of justice is more efficient, because trials are held faster. Laws and taxation are more transparent and not subjected to individual interpretation. Education of employees is very professional through the

presence of good professional schools. Payroll taxes are also lower. Austria, our neighbour and biggest competitor with some comparable hotels in offering and quality, has a lot lower payroll taxes. Accessibility is of course important, because guests come not from the immediate vicinity. Only 2.3% per cent come from the immediate surroundings. In South Tyrol there is just a very small airport, which offers only quite expensive flights to Rome. Then there is Verona and Innsbruck as smaller airports. And then Munich and Milano. But also the transfer from the airport to the hotel though public transport is a bit problematic and far. We are not located near a main train station, which makes arrival by train also difficult. Therefore it just remains arrival by car, which means that the commuting area of customers is limited. The duration of stay has become shorter over the past years, because of this easy arrival and accessibility become more important also for a potential internationalization. Therefore it would be interesting to experience an Adler Spa Resort in a location, which is very well connected to an international airport to see how this impacts on the international origin of our customers. Our guests use mainly the offering of the hotel and the nature. When we talk about infrastructures, for us everything that makes the nature around us more attractive and accessible is important. Examples are lifts and cable cars. Less important are other touristic infrastructures like cultural events, museums, clubs, public swimming pools and etc., because our guests value other things when they visit Adler Spa Resorts. They just use a lot the internal offering and the outdoor program. They do not even use their car when they come and just move by walking or by biking. Therefore infrastructures like hiking paths, biking paths, jogging paths are very important for us. A target location should be interesting from the supplier side aspect: we focus on local products and on a strategy with short supply chains. This means that Adler Spa Resorts need to be located in areas, where everything grows and which offers a lot from that point of view. It would be attractive if there were agricultural enterprises in the surroundings, with which a good collaboration is possible. We are used to handle our procurement over the purchase company Hogast, which brings a lot of cost advantages.”

Question 16:

“During our studies in Vienna, Andreas and I build good contacts to the German speaking countries. Through the many loyal guests of Adler Spa Resorts, we possess good contacts to foreign countries and are connected well to networks. However, we have few experiences in

dealing with suppliers and employees from foreign countries. This would be a new challenge for us.”

Question 17:

“The best option for us would be the acquisition of a suited building site with an authorized hotel cubature of minimum 35,000m³. This would allow us to create an Adler resort according to our imagination and standards of quality. A second option would be the acquisition of an existing hotel with the reconstruction of the property, presumed that the conditions for a reconstruction exist. Management contracts are not an option for us, because an adaption of the leased property to the ‘Adler standards’ would be difficult.”

10.3 Appendix C: Interview Klaus Kier

Klaus Kier is the director of the Adler Dolomiti Spa and Sport Resort in Ortisei, South Tyrol. The interview with him was conducted on the 5th of May 2015. The interview has been recorded, transcribed and translated into English:

Question 1:

“What makes us unique, except from the location and the width of the offering, is the creation of a familiar atmosphere despite the size and the offering. Not many structures of comparable size are able to do this. Reasons are the flat hierarchy, the close contact to guests and employees and the few hierarchical positions. Nowadays this is very important for the flexibility and the quick reaction in the market. This means also that from the idea to the decision there are not many hierarchical steps. This means we are quick in the realisation of projects and of new ideas.”

Question 2

“It is the width of the offering: the guests have the possibility to do sport, cultural and medical activities. Then of course there is the location in the middle of the town, which however is given and cannot be changed. There is the park, which is unique. Then it is the heartiness of the employees, which characterizes us, and where we always try to improve. The quality is given through many employees who have worked for many years in the company. We do not

have a big quality management. I experienced it by myself: it hinders the employee to think autonomously and to do the right thing, because in the end each employee knows how to work with common sense and what is right and what is wrong.”

Question 3

“For the employees we have become a second home, we are a big family, everyone, from owners down to employees, is closely linked; this characterizes us. But also for the life in town we are important: for the events we organize, for the associations, which come to us to hold celebrations or dinners, and for the shops. Our guests are surely generating high revenues for the local shops and for the suppliers. We generate many jobs and we can say that regionally or at least locally we are an important structure for prosperity. This cannot be neglected. Also for this reason the negotiations with suppliers are made carefully, because we know what it means if a supplier can count us to his customers. For many we create from 10% to 15% of their revenues.”

Question 4

“Mainly 65% to 70% of our guest come from Italy, seen over the whole year, but the number varies considerably over the seasons: in summer we have many Italians, in autumn this is compensated, and then in winter we have a clear internationalization, but in the whole Val Gardena. Averagely our customer is 45 years old. Because we have considerable price fluctuations over the year, many social classes are represented. We have the higher social classes in high season, like July, August, and then December, February. But otherwise a lot of young people come in autumn, or winter for skiing. The younger generations are not as linked to the seasons as others. They rather search for lower season: first, the prices are lower, and second, there is less rush on the sport activities, like the ski slopes. Trend of internationalization can be seen in winter, maybe because accessibility is better to the airport through organized buses. There is an increase of guests from the East-European countries. The famous destinations, such as Kitzbühel or St. Moritz, loose attractiveness for the guest from Russia or Ukraine. Maybe they are searching for something new.”

Question 6

“I have experience especially in the German speaking area: in Germany and Switzerland. In Switzerland I was 6 years. I did my education there and experienced the different positions in the hotel industry. In Switzerland the problem is that hotels are over-managed, and now they suffer from it. They got into a situation, where it is difficult to come out now. They have many hierarchies from top level down. Until everything is decided and agreed upon, whole month pass until ideas are realized. This makes a company very heavy and slow. But still, in the hotel industry, it is very important to travel, because this is our business. We work so multifaceted, that from everywhere we can learn something. From the smallest bar to the six star hotels you maybe see something that you can use given the size and the multi-variety of Adler Spa Resorts. This is a very interesting part of our work.”

Question 7

“We were pioneers in the medical offering. We offer medical treatments and competences since 2008 and it is accepted very well. Also the owners always focused on the spa and wellness offering, where we were surely pioneers in South Tyrol, or even in the Alps region. Then the whole outdoor offering came, where we try to improve at the moment, because the customer searches for the special experience, he can tell at home. He searches for an adventure. We work on this to target also more marginal groups. Like with mountain biking: It is a very demanding and challenging sport, but through e-bikes and lifts we try to make it available to the wider mass. This is surely the future. We work with cable cars, ski schools, guides and camps to build something new for the future.”

Question 8

“In-house marketing activities are the daily Adler newspaper in the morning, the TV system, where we can upload last minute offerings, and advertising texts on menu cards or cocktail cards. In the room we leave the catalogues, to advertise for the other Adler Resorts. We have the biggest success with our Adler Friends Card. This is a card through which guests can collect points for every Euro spent in the hotel. We can provide free offerings in exchange for points, or offerings for a reduced price. The offerings are mainly lodging and spa treatments. This is used very much by our loyal customers. The newest introduction are the payback points, where they can convert their points without restrictions in lodging or spa vouchers

before arriving. This is very interesting for guests, because their play instinct is activated and they obtain a higher value. The internal conferences and schoolings with the doctors can be also defined as in-house marketing. The goal is that the guests make use of the offering of the company. Print, catalogues and the creation and maintenance of the homepage are outsourced. For the rest, we try to do as much as possible in-house. The management of the marketing campaigns for the English market is handled by external providers, because we do not have that much experience on the English market and we do not have the knowhow about how to target the guests in those markets. Also SEM and SEO are handled by an English company. At the moment I cannot say how it works, because the collaboration is new. We supervise the German and Italian markets by ourselves. In addition, we have PR agencies, because they have the contacts to journalists. They keep us up to date about what is currently demanded. If we offer this, then we can invite them and they write an article about us. We are present at fairs. However we do not try to go to touristic fairs, but on fairs, which have a more specialized audience, because it is easier to specifically reach customers. Examples are fairs, which put the focus on organizational health management. There we have an offering, which can be interesting for companies. Big companies put a lot of emphasis on the health of their employees, and offer trips with medical check-ups. There we can reach customers directly, because there are not so many visitors, and they are also more interested. The second advantage is that there are often decision makers at these fairs, and they maybe come privately to visit us.”

Question 9

“First of all, it is the flat hierarchy. Each employee is integrated in the decision making process, and this is very motivating for employees. Also if they have an idea, the way to come to me or to the owners is very short. They can speak directly to us or to the division manager if they have an idea or if they want to improve something. Then we decide together if we want to try it or not. This motivates the employee, because he sees that he self is an important part of the company and is not just directed from top level, but he helps to lead the company. Next to this, there exist the classic training possibilities, where we decide together, how and where to seek for further education. The possibility to use the gym facilities and bikes is a big advantage for employees. Division managers organize activities together with their team, for example hiking or biking tours. These are simple things where a respectful and friendly relationship is created. This is very appreciated by employees next to the success of the company,

the timely salaries and the fair working hours. We always try to keep our promises. If we have job interviews, we do not promise things that we cannot keep, we are honest and also say clearly what we expect. This is surely the basis of successful co-working.”

Question 10

“We have some employees, like Valentine, who is taking care of the online marketing, or Dieter, who makes the controlling. These people are important employees for all structures. They are taking overlapping tasks for all Adler Resorts, even if they sit here in the Dolomites. They are every month in Tuscany. They are important interfaces between the different hotel structures. Also Anton and me are frequently in contact. We have common projects. Partner companies and important suppliers are here. Because of this, it is easier for me to contact them, because I see them more often, and to negotiate with them. The problem is that sometimes I forget to forward all news to Anton. It is always a challenge for me to include him in all the decisions, even if they are just small. Maybe for me they are negligible, because I discuss them over a coffee, but he then is surprised if something changes or if he was not informed. These are big challenges, which can be improved through clouding. This is surely the future. It is clear that each director puts the focus on his own hotel, but we try to use synergies through common projects. This is only possible through continuous communication, contact and information. Between us it works quite well, between the division managers it is more difficult. The different hotels have maybe different objectives to reach; there are some different working processes between Tuscany and here. Nonetheless, we try to use synergies, even if it is not always possible. We have tried many things, such as Skype or a communication system, but it did not really work, because it was not used enough. The systems were still too complex and the things did not work properly. It was faster to take the phone and call. We try to always call: If something needs to be discussed, you need to be careful with emails, because they can be interpreted in many ways. It is easier to mention problems directly on the telephone. With emails you need to be very careful not to attack someone.”

Question 11

“Maybe the owners can say more about it. But I think very good. The Adler Resorts are surely AAA customers, because we operate successfully since many years and we fulfil our obligations timely.”

Question 12

“This is a difficult question and it would be necessary to take more time for it. I think it is favourable, because you can reach a bigger customer segment. You have an additional pillar to rely on, an additional customer base to build on. Maybe different countries or markets have looser legal restrictions and lighter bureaucracy and administration compared to Italy. It is therefore easier to try new things, and to enter more aggressively the market.”

Question 13

“You always try to copy certain things, but if you visit other hotels, you generally just see what they make better in their offering. We are very close to Austria, Anton, down in Tuscany, is closer to other hotels. But I think in Tuscany we do not have comparable competitors. This is also the reason why the hotel in Tuscany has so much success. The hospitality and the average standards of quality in Tuscany are not comparable to our offering.”

Question 14

“We have experienced with the hotel in Tuscany, that distance is not such a big problem. There are methods to communicate and to guarantee quality in the different resorts. Therefore distance is not such a big issue. However, it depends what you want to create. Not every offering or every resort can subsist in a certain market. Austria makes little sense, because competition is too high. In Switzerland it is different, because through our hospitality, which is not that common there, we can capture the market. In Germany it is the same: in the hotels there you see that the employees experienced training in quality management, because they all say the same. But guests do not appreciate this anymore. I think in these countries Adler Spa Resorts would have success. In other markets it is difficult to say. It would be necessary to analyse them. Important is that they are safe. It is a prerequisite that there are no political conflicts or conflicts between ethnic groups. This is the basis of a good location. Then it would be necessary to do a market analysis, to see if there is demand. But I think through our name and our presence in the existing markets, we can choose many locations, because our customers would follow us. Not many hotels can assert that. Of course it is different if the location is in Asia, but in the European area many, many guests would follow us.”

Question 15

“Other markets may have different labour laws. The laws may be more flexible. Companies can react faster to fluctuations in demand than in Italy.”

Question 16

“I think it depends more from the owners, because they maintain the contacts. I have many contacts and I use them, because as a member of the industry it is interesting. It costs time and effort to keep contacts, but then you can exchange information honestly. I have contacts to many hotel directors. These hotels are slightly over or under our segments. You can learn from everyone, or ask everyone for advice. You can share experiences and so avoid mistakes from the beginning on. You can transform positive experiences of others directly into your own projects. We try to do this also with the Hotel Terme Merano and the Hotel Erica, where we have established a good collaboration. We try to meet monthly. We work together and share projects in the field of online marketing, because it is a quickly developing area with continuous innovations. Everyone tries to implement different aspects, and in the end we meet and share experiences. This is very good, because often you do not have the necessary experience for certain things.”

10.4 Appendix D: Interview Anton Pichler

Anton Pichler is the director of the Adler Thermae Spa and Relax Resort in Bagno Vignoni, Tuscany. The interview with him was conducted on the 10th of May 2015. The interview has been recorded, transcribed and translated into English:

Question 1

“Adler Spa Resorts are formed by the Adler Dolomiti and the Adler Thermae. In addition, there are, since some years, two smaller structures, the Adler Balance and the Adler Mountain Lodge. The Adler Dolomiti and the Adler Thermae are the two big structures, and they are specialized on a wellness and spa offering. They have a holistic concept including also medical spa and family spa. They are very unique with this concept and also the first ones to offer spa and wellness innovatively in Italy.”

Question 2

“Unique in our structures is surely the spa and wellness area. Here in Tuscany we have 40 employees only in the spa area. We have also medical spa. We have in each hotel doctors, and we have programs to offer wellness not just in the sense of indulging and beauty, but wellness in a medical, sustainable way. In each hotel structure the focus lies on this offering. The Dolomiti was born with a focus on sport, nature and outdoor activities, since the Dolomites are of course suited for skiing in winter and hiking in summer. In Tuscany the gastronomy, the nature, the outdoor activities, the sport is very important. We have mainly Italian guests. They come for the spa area. Our main markets are Rome, Florence and Milano. These guests already know the region very well. They come to make spa treatments. Then there are the foreign guests, mainly from Germany, Switzerland and Austria, but also from the US. They come mainly to visit Tuscany. There it is important to find the combination between the offering of outdoor activities, gastronomy and spa.”

Question 3

“In Tuscany the value created is relatively big, because the Val d’Orcia was very sedate before the Adler came, and still is very sedate. If you talk about suppliers, you can see that it brings them consistency and security. There are many small suppliers and farmers that work very well, but that are not paid for their work. That’s a little bit the Italian morality: people order work and do not pay for it. The Adler is a guarantor, because we pay the bills immediately. Our suppliers are very happy, if they can do part of their work with the Adler, because then they have part of their revenues guaranteed. In addition, we operate 11 month a year, and are almost always fully booked. We are the biggest creator of jobs in the Val d’Orcia. In addition, the presence of 200 guests during 11 month creates the need for a lot of supplies; therefore we are the main customer of many suppliers. Then, if 200 guests are present throughout the year, it means that we pay a lot of taxes, which the municipality can reinvest. If you compare Bagno Vignoni now and Bagno Vignoni 10 years ago, you can see that a lot has been done: streets, buildings and so on. Also the restaurants in the area are happy if our guests visit them. Next to this, we have 100 fix employees. Many of them come from the South: they have settled here, acquired apartments, built a family.”

Question 4

“The typical customer is 40+. He is sporty and successful in his working life. He visits us to relax. It is not an extremely fancy hotel. Our guests want to turn off and relax. Our goal is that the customers enter and from the first second are able to let go and relax. Customers appreciate this. Sometimes guests, who know the hotel from magazines, come for one night and expect the super-fancy resort. Often we cannot satisfy these guests, because they search something different than what we offer. The luxury in our hotel is to have time, the space, the hospitality. It is informal luxury. Geographically we have 70% of Italian guests, the main markets are Rome and Florence. They arrive within 1.5 to 2 hours from home and spend the weekend here. This is the typical customer. Then, from May to October, we have many international guests. I would say in this time 50% of guests are foreigners: mainly from Germany, Switzerland, Austria, but also from Belgium and France; so mainly Europe. Russians are increasing. We have few guests from the US. This is quite surprising, because in the surroundings, such as Montalcino or Pienza, there are many Americans. I think we are too modern for those guests: the Americans search the typical house made of stones or the small villa if they visit Tuscany, not that much the spa and wellness hotel.

Question 6

“I was in the US, in Austria, and then 15 years in Switzerland. What I best know is Switzerland. If you talk about internationalization, I do not think the Adler would go to Switzerland, the competition there is too high. With the concept of Adler Spa Resorts surely there are many markets for successful entry. We have the competencies, the organization and the structure, with which many hotels cannot compete.”

Question 7

“The hotels are absolutely innovative. I mean, the owners are very innovative, the company is always changing, and there is no year where no improvement is done. We invest a lot; we continuously question our activities, for example our marketing. We ask ourselves: ‘is what we did yesterday still good enough today? What can we improve?’ We try to reach new markets; we try new technologies, such as online marketing. We check if our processes are still up to date. We invest a lot in the structure every year. Now the Adler Thermae is eleven years old, and we have a budget for investments of one million per year. This is a very high amount

for a hotel. We are very happy that we can invest that much. It is important that our loyal guests see that there is always something new. If they come some years in a row and there is always the same offering, they may get bored. With us they have the chance to see always something new.”

Question 8

“Marketing was a big topic during the last year. When we started 11 years ago, a lot of marketing was done through traditional channels, such as tour operators, PR agencies for different markets and customer loyalty programs. During the last years we dealt with the question how to become more international. We are still working on it. We implemented the connection to GDS, so that travel agencies all over the US can book our rooms. This was an important and big step, because the Americans, and the foreign customers in general, are a little bit reluctant to book a hotel directly for security reasons, because they have to pay in advance. They prefer to go to travel agencies, if they travel internationally. GDS stands for global distribution systems. This improves the connections to foreign markets. We are part of it since half a year, now we have obtained the first bookings. This was a big step. From now we have to make advertising for it and implement GDS marketing, this is something new for us. Then we are working on a new homepage. Now we have it in different languages, for example Russian, Spanish and Portuguese. But now we try to reduce them to reach the main markets directly and then the rest through the English website. What is really important is that we employed a new online marketing manager, because the technologies are becoming too specialized and complex to deal with it just by the way. They have become too important, so that a person who is experienced in the field, is necessary.”

Question 9:

“In this field Adler Spa Resorts are surely market leaders, because I do not know any other hotel, which has such a low employee turnover as Adler Spa Resorts, both in Tuscany as well as in the Dolomites. We have realized a long time ago that employees are our biggest assets and that they make the difference for the experience of the guests. No other person in a hotel decides more if the customer feels welcomed. If we take the restaurant, the small ‘commis de rang’, who maybe does not count in other hotels, in the end brings the coffee or welcomes the customers, and depending on how he does it, it becomes a decision variable for the customer

when deciding if to return for a next visit or not. If the cleaning lady, who in many hotels has a low position, does her job not well, the customer is not happy and will not come back. The cleaning ladies of the Adler Thermae are my biggest pride. I think no other division works so hard as the cleaning ladies: they work hard, they work a lot, they run, but they always have a smile on their lips and that makes the difference. This can only be achieved if employees feel comfortable. Today it is important to guarantee employees a job position, where they feel comfortable, where they have a certain freedom, where they know that both their opinion and their job is appreciated, where they can bring new ideas, which are discussed and maybe implemented. We have many team meetings with our employees. If there are problems or new projects, we talk and we discuss. The idea is that, at the end, the solution comes from the employee himself, because then it is more accepted. The employees know that there is a very open communication. And they like it.”

Question 10:

“Communication is generally the most difficult aspect. There is always potential for improvement. The biggest interface we have in the marketing, and, as I said before, we now have employed this online marketing expert, who should bring a bit more coordination in future. In marketing we have the same appearance for all hotels: If we introduce new things, then they are introduced not just in the Adler Thermae, but probably also in the other properties. We have the same prices for lunch, we have the same offering in the spa and so on. The customer, who feels well here in Tuscany, feels well also in the Adler Dolomiti. The customer, if he knows our hotel and decides to visit also the Adler Dolomiti, then he knows that he finds the same offering as here. This is very important for the customer. The biggest interfaces are in the marketing division: we try to bring in a unified structure, so that we can handle a unified marketing better in future. Of course each hotel has its own peculiarities and problems: in the Dolomites booking challenges are different than here in Tuscany. The hotels have many peculiarities and autonomies, but still we try to coordinate them into the same direction.”

Question 11:

“I think very good. We have every year a lot of resources to reinvest.”

Question 12:

“Good question. The brand Adler Spa Resorts is quite known in Italy, and maybe also in Germany, Austria and Switzerland. If the brand Adler would expand into another country, then probably many of our loyal guests would visit the foreign country with the security to choose an Adler Spa Resort that guarantees certain standards. Adler Spa Resorts simply bring security for quality. Who knows Adler Spa Resorts, will also find the same standards in another country, because the family would never expand internationally with a hotel, for which they are just investors, but do not manage it. This means the organization there will be exactly the same as in Tuscany. This means distance is already the first challenge and difficulty. Nearer markets are therefore more attractive. Italy has for us the advantage that it sleeps in many fields. In Sicily, but also here everything sleeps. There is no competition here. If you look at Sicily, there is also no competition. The company has specialized on Italy, because it is the domestic market, but also because there is still a lot of room to move.”

Question 13:

“A lot through my previous work and my private travelling.”

Question 14:

“The legal situation in Italy is difficult and everything takes very long, but also in Austria and Switzerland it is not easy anymore. In no country it is easy anymore to create something new. If we look at Europe, surely in Austria and Switzerland it would be very expensive to invest and there would be a high density of competition. Important is that there is not too much competition in a foreign market.”

Question 15:

“I do not really know which concrete advantages other countries have. Italy has the image to be the holiday destination par excellence. A lot of people love to travel to Italy, because it stands for ‘dolce vita’, for simple life. Also the simple, not perfect organization belongs to the image of Italy, and is also wished by some visitors. From these points of view, Italy has a lot of advantages. Nonetheless you need a lot of patience to do and plan something. But if you handle it in the right way, it is for sure one of the more attractive markets to invest in.”

Question 16:

“The political situation in many countries is not stable. If you expand internationally, it is important to first check the stability, which needs to subsist. You need to consider corruption, but also the religious situation. Also this is important today. I think that if you expand into a secure market, then it is also possible to find good networks, with banks, with suppliers and so on. Every stable country has good suppliers.”

10.5 Appendix E: Interview Andreas Sanoner

Andreas Sanoner is owner-manager of Adler Spa Resorts. The interview with him was conducted on the 14th of May 2015. The interview has been recorded, transcribed and translated into English:

Question 1:

“Here we can mention two main aspects. On the one hand, we offer reliance, because the customer has always a certain constancy and stability. Even if we introduce innovations, there are no fluctuations in our offering. The customer places his trust in our solidity. This derives also from our long history and tradition. On the other side we have the innovative component. This means, on the one side the stability, on the other side the flexibility and the adaption to new trends and new needs. The customer always finds new aspects and offerings. These two things are to some extent controversial, but also complete each other very well. And this is what the customer appreciates and where he or she detects the value of Adler Spa Resorts.”

Question 2:

“This is obviously the whole offering of wellness through a holistic approach. It has been for 25 years now our main focus. We see wellness in a holistic way: this means spa, med, fitness, movement, outdoor, natural and light dining. All this is an overall concept. And this is what the customer values. Of course then every single resort has its peculiarities, which make it unique. This is for example the thermal water in Tuscany. And of course the location: the location is for sure a main characteristic, also in regard of a potential expansion. The location is the critical aspect. The main prerequisite of a new resort is the realization in a very spectacular location. The big hotel chains decide differently: for them it is important to be where a famous destination is and where others are. If there is a Hilton and a Sheraton, then also Inter-

continental needs to go there. It is the logic of their concept: they want, from a touristic point of view, attractive locations, which have a broad demand. Our concept is different: the location should be so unique, that no similar hotel exists in this location and that no other comparable location exists. This is probably also critical for future expansion. Even if goals can change, I think this is our direction. The locations we have chosen so far are all very particular, with no comparable competitors: otherwise you could also go to Jesolo or Milano Marittima and build a hotel. But this is not our ambition.”

Question 3:

“The value for the other stakeholders is surely very big. The town here in Ortisei starts to live again if the two big hotels, we and the Cavallino Bianco, open for the season. Next to the direct value creation, because our guest buy in local shops and so on, also the indirect effects are important. First, we have an orientation position: if we open, than also other hotels are forced to open early and to adapt. Through this the whole town is animated and benefits from the touristic activity. It is difficult to calculate the effects on the surroundings, but you just can look at the revenues we bring to lifts and cable cars: we sell ski passes to our guests for a value of € 500,000 every year. More than half of our employees are from the region. For them and there families the long opening periods create a lot of value.”

Question 4:

“This is always a difficult question. At university everyone tries to make segmentations, but it is very difficult in reality. Especially today there is a trend towards controversial behaviours of customers: one day the customer wears jeans and t-shirts and the next day a suit; one day he lodges in a cheap flophouse, the next day in a fancy hotel. This is valid also for our resorts. If you ask what is the typical guest, you could say he is sporty, because we have a lot of outdoor and sport offering, but then there are also many not sporty customers, who just enjoy the good food and the spa treatments. Then we have families, but also those customers, who really do not like children and visit our hotels anyways. We repeatedly tried to segment customers according to their preferences in our system, but we were never able to really use the data. The big segments for us are outdoor, spa and family. Then you send the spa segment information material, which is different from the family or outdoor segment. But then 80% of customers in the outdoor segment use also the spa area, or at least the wife uses the spa, and then

they also have children: it does not make any sense. If you really want to define the ‘typical’ customer, you could say he or she is between 40 and 50, and spa and sport affine. But still, it is not very helpful. Segmentation is for some products maybe more relevant, but I think it became less relevant in many fields.”

Question 5:

“The idea is to grow, but in a controlled way. Uncontrolled growth is a main source of problems in many companies of similar size. There is of course the tendency and desire to grow; otherwise we would not have done it in past. The idea behind is to create a brand: trying to reach this nationally or internationally has of course different levels of difficulties. Becoming a brand is vital for every company. If you become a brand and preserve the image, then you have reached already a lot. Also in the hotel industry a lot of customers orientate themselves at brands. This is also the reason why there are so many hotel chains, which operate just through franchising, without constructing or managing the hotels by themselves. For all these reasons growth is a goal for us, but it needs to be controlled. I have experienced it by myself with Sparkasse, that many problems arise if companies start to grow in an uncontrolled way, if there is here an opportunity and there an opportunity, and at a certain point there is no control over the situation anymore. Controlled growth is at least our objective in regard to Adler Spa Resorts. Then of course there is the possibility to follow other projects, which are not handled under the brand, but which just provide certain profitability without a lot of effort. But if you talk about internationalization under the brand, then you need to make sure that the rest of the company is solid and that the new project fits into the concept of the company.”

Question 6:

“I have little international work experience. Of course I have some idea about the world, but if you ask what the circumstances for a hotel in the US are, then I have little knowledge. We did not face the issue of internationalization more in detail so far.”

Question 7:

“I would say very innovative: In the whole outdoor and wellness offering we surely were pioneers. This does not mean that there was no one else before us, there always were some others and we also copied single things from competitors, but we were in a leader position. This is

not just valid for the spa and outdoor program, but also for the gyms, the whole medical offering, but also smaller things such as the breakfast buffet, which at time was not common at all. Then we are also very innovative in our architecture and for smaller details such as the Adler Friends Card, which is common for airlines but uncommon for hotels. Online check-in is an innovation that is more just fun, but it shows customers that we are innovative and that we think about new things. Then the lodge concept is also very innovative.”

Question 8:

“We try to outsource nearly anything. It would be not very reasonable for us. Many companies, also big companies, move away from outsourcing whole divisions. Even if it is difficult to believe, it is more cost efficient to develop and maintain competences to a certain degree internally. Then specific projects, under control of one’s own competences, can be handled with external partners. Outsourcing was more usual some time ago. Now many companies suffer from the outsourcing of whole divisions, because the company in the end does not understand anymore the field, becomes dependent and less cost efficient. We are more flexible with our internal marketing. What we outsource is PR, which is handled by autonomous providers: Zappelli for Italy, Stromberger for Germany, and Heady Communication for England. This is only a small part of our marketing. For the rest everything is handled internally. The wishes and preferences of customers are detected through questionnaires, personal contact and weekly meetings. One focus lies on understanding what customers like, what they do not like, and what suggestions for improvement they have. The new media offer themselves for reaching new markets, because everything else is too expensive. We try to use these channels, but very focused. We had a period in our online marketing, where we tried to reach Spain, and South America, and Poland, and Russia, and Norway. But this does not make any sense: it is too dispersive, and too difficult to control. Therefore we try to use new media more focused. Internationalization was a big issue in our last marketing meeting. But we look very focused on what activities to implement in which markets. In our company, the whole topic of internationalization of the customer base, especially here in Val Gardena, or the Alpe di Siusi, but also to some extent in Tuscany, is a big challenge. A concrete internationalization is limited through the difficult accessibility of our regions. Then we use online portals, PR, travel agencies and tour operators to reach international customers. So internationalization of the customer base is an important topic for us, and it comes of course before considering physic in-

ternationalization. However, these two aspects run somehow parallel, because if you build a hotel in a foreign market, then there is also great potential for internationalization of the customer base. The goal is always branding: you need to be able to spread the brand.”

Question 9:

“Human resources are the most important resource. It is important that you keep them. There is a new trend in the hotel industry. Some years ago everyone said that customers want to see only young employees. Now, especially in the service in the restaurant, customers want to see older waiters. Similar in the spa: I experienced it in Canada. Important is of course fair treatment, and, over this, integration into decision processes. This is always the biggest motivation for a rational person. For the satisfaction of employees it is important that they are part of the company, they help to shape it. This is of course also very important for the company. It has two advantages. First, the employee is more motivated. Second, the employee becomes more valuable for the company, because he thinks autonomously, he acts according to the philosophy of the company and tries the best for the customer. I think we handle the human resources very well. We have many meetings, and we tried to implement more specific processes, like the motivation chart, where division managers elaborate checklists with employees where they define goals.”

Question 10:

“The biggest challenge is to manage the brand coherently. This means that our customers find in every hotel the ‘Adler Philosophy’, even if each hotel is different in location and size. The philosophy needs to be same, and this is one of the main tasks of Klaus and me. Each resort of course tends to see itself as independent, and we also try to promote this, because it is a huge motivation for directors and employees. It is important that they do not have the feeling that everything is decided from outside, like in bigger chains, which have standard manuals with all the guidelines. Therefore we try to maintain independence of the single resorts, even if there is the risk that they drift apart, because they have different locations, employees and structures. Nonetheless, to this independence there is a limit, which should not be surpassed. Customers should experience the individuality of each place, but nonetheless some aspects should be handled consistently. Maintaining this overarching philosophy is one of our main tasks.”

Question 11:

“We are very credit worthy. Nowadays it is very simple: if you have a good rating in the bank system, then you have no problems to obtain a credit. If you have a medium rating, you have first problems. And if you have a bad rating, then it is very difficult to come to money. In the past five years the spread became very apparent. Banks run after customers with a good rating, and compete for them. On the other hand, to protect themselves, they give no chance to customers with a bad rating. Therefore, we have no problem at the moment. However, this can change, if we make for example a big investment. At the moment we have no debits. Or we have some, but they consist of a small portion of the revenues if we compare ourselves to the average in the hotel industry. Maybe not in comparison with hotels in South Tyrol, because they have generally low debits, but internationally.”

Question 12:

“The advantages are quite clear. For the group it is, as mentioned before, the branding. You give your branding a big boost if you go international. Then there is the disclosure of new markets to become more crisis resistant. The brand is always a way to become more resistant to crisis, because in crisis, even more than usual, a good brand protects you. Brands are like life rafts in the ocean: if there are only few left and there is a life raft that says ‘Coca Cola’ and one that says nothing, then customers swim to Coca Cola. Then there is a better overall occupancy, which can be reached through internationalization.”

Question 13:

“Of course we look a lot at other destinations. We know many touristic destinations. Hotels in city destinations are more profitable: it is easier to make business, the risk is lower, and you have lower costs. In the leisure hotel industry it becomes more challenging. We are looking for something else. Of course you can say that the Alpe di Siusi is a touristic destination, or Tuscany. But we found spots where there is few tourism, or at least few hotel industry. Those locations would be more interesting for us. It would be also easier to strengthen the brand with a not exaggerated investment. If you look at hotels like ‘Ananda Resorts’ or ‘Explora’ in South America, you see that they have just three or four hotels in very specific locations, but nearly everyone knows them. They are in locations, which sooner or later someone visits, but

where only ten hotels operate, even if the area has the size of Germany. Another good example is ‘the Kedi’. They have one in Marrakesh, one in Oman, one in Vietnam and so on. With this strategy you are able to create an international brand without exaggerated capital intensity.”

Question 14

“Many ask us: ‘why are you not planning to go to Austria, or Switzerland, or Germany? You have so many customers in those countries’. But I do not think this is the right way. I would see it differently. Asia is in my opinion difficult, because the hotel standards are very high and many international chains operate properties there. But I know South America quite well, or also Canada and North America in general. These locations would offer good opportunities and, compared to the East or Russia, a lower degree of risk. There, in a wide landscape with spots characterised by low competitions, I can imagine an Adler resort. But it is just a idea.”

Question 15:

“The external conditions play of course a role in the location choice. Probably we would not dare to expand to Montenegro for example. The difficult legal situation, stability and bureaucracy in Italy are also one reason why no international investors come to Italy. On the other hand, too easy is also not attractive. If you go to ‘Sharm el Sheik’ or ‘Hurgada’, then you are the hundredth investor to build a hotel there. What is very decisive is the density of hotels in the target location. I mean, we always say the Adler Thermae in Tuscany is the property that makes most profits, and it is also true. But you need to consider that it is alone in the region. There are maybe two or three competitors. And probably there will be no more competitors, provided that the situation does not change rapidly. Ortisei, or South Tyrol generally, has a very high concentration of hotels. If there would be only four other hotels here, then the Adler Dolomiti would have no problems to be always fully booked. Therefore competition is a crucial influencing factor.”

Question 16:

“Networks are of course important. Nonetheless, today they are quickly built. I think they are built if the necessity and the concrete project arise. Being part of networks without a concrete goal or necessity costs a lot of time. In this case you are more a target for partners, who try to

profit from you or exploit you. If then the necessity arises, then the first network you build is with public institutions, who are managing authorization processes, with architects, with business consultants, with engineers, and so on. But these networks you cannot build a priori, it would be too time intensive. You just choose your team, if the concrete situation and location is here.”

Question 17:

“Franchising is no option at the moment considering our size. This does not mean we exclude it for the future. Franchising is today a very big trend, also in the hotel industry. It is strongly connected to the whole topic of branding, but you need to be an international brand to franchise. We are too small for that. And it is not our goal at the moment. Management contracts are also not really an option, because then we would not work for us, but for someone else. Ideal is of course just to work for ourselves. Especially if your goal is branding, then management contracts are challenging, because you would give your brand to someone else. The other two options are valid. If you buy something that fits your concept, then it is a good option. However, probably in the concrete situation, we would not choose that option, because there is always something that does not fit, that needs to be changed and then it makes more sense to just build the hotel from scratch on. Greenfield investment corresponds the most our philosophy, because our concept is realized already in the architecture of our hotels.”

10.6 Appendix F: Geographic origin of customers of the Adler Dolomiti

	A	BH	BI	BJ	BK	BL	BM
1	Übernachtungen nach Nationalität H	Hotel Adler Dolomiti					
2	2011-2014						
3		Gesamt 2013		Gesamt 2014		Differenz 11-14	
4		Naechtigungen	%	Naechtigungen	%	Naechtigungen	%
5	ITALIEN	59.189	66%	56.325	66%	- 12.041	-18%
6	DEUTSCHLAND	11.335	13%	10.430	12%	2.172	26%
7	SCHWEIZ	4.894	5%	5.408	6%	1.885	54%
8	RUSSLAND	2.566	3%	2.317	3%	1.449	167%
9	ÖSTERREICH	1.347	2%	1.753	2%	684	64%
10	GROSSBRITANNIEN	1.614	2%	1.687	2%	992	143%
11	VEREINIGTE STAATEN	733	1%	1.215	1%	177	17%
12	NIEDERLANDE	748	1%	912	1%	302	50%
13	FRANKREICH	669	1%	870	1%	450	107%
14	ISRAEL	466	1%	536	1%	351	190%
15	UKRAINE	477	1%	524	1%	226	76%
16	POLEN	407	0%	513	1%	144	39%
17	BELGIEN	466	1%	391	0%	235	151%
18	SAN MARINO	24	0%	74	0%	- 11	-13%
24	Gesamtergebnis	89.227	100%	85.873	100%	- 2.912	-3%

10.7 Appendix G: Revenue and cost model of the Adler Thermae in 2014

Hotel Adler Thermae 2014										
Erfolgsrechnung	01- 12.2014	%	01- 12.2014	%	Abw.	%	01 - 12.2013	%	Abw.	%
	kum.		kum.		Ist / Plan		kum.		Ist / VJ	
	Plan	Plan	Ist	Ist			Vorjahr	Vorjahr		
ERFOLGSRECHNUNG										
Erlöse Logis	10.524.986,20	68,13%	10.649.740,30	68,66%	124.752,10	1,19%	10.464.761,23	67,91%	184.979,07	1,77%
Erlöse ermäßigte Logis	814.784,90	5,27%	831.000,05	5,36%	16.215,15	1,99%	798.313,04	5,18%	32.687,01	4,09%
Erlöse SPAAnwendungen	2.388.319,75	15,46%	2.298.252,52	14,82%	-90.067,23	-3,77%	2.414.974,34	15,67%	-116.721,82	-4,83%
Erlöse Spa Verkauf Produkte	287.183,20	1,86%	291.737,20	1,88%	4.554,01	1,59%	290.638,44	1,89%	1.098,77	0,38%
Erlöse Restaurant Getränke	655.941,66	4,25%	626.603,07	4,04%	-29.338,59	-4,47%	660.885,36	4,29%	-34.282,29	-5,19%
Erlöse Restaurant Speisen	301.690,73	1,95%	315.546,91	2,03%	13.856,18	4,59%	306.852,25	1,99%	8.694,66	2,83%
Erlöse Bar Getränke	263.762,30	1,71%	270.284,48	1,74%	6.522,19	2,47%	262.337,38	1,70%	7.947,10	3,03%
Erlöse Bar Speisen	9.386,29	0,06%	8.835,91	0,06%	-550,38	-5,86%	9.310,45	0,06%	-474,55	-5,10%
Erlöse Minibar	29.080,26	0,19%	26.746,06	0,17%	-2.334,19	-8,03%	29.677,41	0,19%	-2.931,35	-9,88%
Erlöse Weinkeller	33.568,88	0,22%	34.823,43	0,22%	1.254,54	3,74%	33.702,79	0,22%	1.120,63	3,33%
Erlöse Sonstige Erlöse	67.463,53	0,44%	76.930,11	0,50%	9.466,57	14,03%	65.949,12	0,43%	10.980,99	16,65%
Erlöse Reisevorsorge	71.623,55	0,46%	79.326,55	0,51%	7.703,01	10,75%	72.775,17	0,47%	6.551,38	9,00%
Erlöse gesamt aus der ordentl. Geschäftstätigk	15.447.793,24	100,00%	15.509.826,59	100,00%	62.033,35	0,40%	15.410.176,97	100,00%	99.649,62	0,65%
Wareneinkauf Getränke	336.454,21	2,18%	368.074,53	2,37%	31.620,32	9,40%	326.342,87	2,12%	41.731,66	12,79%
Wareneinkauf Lebensmittel	1.134.604,22	7,34%	1.134.335,82	7,31%	-268,40	-0,02%	1.124.047,98	7,29%	10.287,84	0,92%
+ Erlöse aus Umsatzprämien	2.000,00	0,01%	2.255,02	0,01%	255,02	12,75%	157,44	0,00%	2.097,58	1.332,30%
Einkauf Produkte Adler SPA	373.551,10	2,42%	367.526,16	2,37%	-6.024,94	-1,61%	398.303,58	2,58%	-30.777,42	-7,73%
Wareneinsatz	1.842.609,53	11,93%	1.867.681,49	12,04%	25.071,96	1,36%	1.848.536,99	12,00%	19.144,50	1,04%
Betriebsergebnis I	13.605.183,71	88,07%	13.642.145,10	87,96%	36.961,39	0,27%	13.561.639,98	88,00%	80.505,12	0,59%
Bruttolöhne und Gehälter	3.619.788,98	23,43%	3.939.215,20	25,40%	319.426,22	8,82%	3.772.542,69	24,48%	166.672,51	4,42%
Personalverpflegung	-8.209,16	-0,05%			8.209,16	-100,00%				
Soziale Versicherungen	1.022.119,07	6,62%	1.120.639,92	7,23%	98.520,85	9,64%	1.068.596,12	6,93%	52.043,80	4,87%
Rückstellung für Abfertigungen	184.326,43	1,19%	189.836,59	1,22%	5.510,16	2,99%	190.507,12	1,24%	-670,53	-0,35%
Unfallversicherung INAIL	65.851,20	0,43%	53.778,31	0,35%	-12.072,89	-18,33%	62.742,10	0,41%	-8.963,79	-14,29%
Entgelte an Freiber., Künstler mit Rechnung	400.000,00	2,59%	387.254,78	2,50%	-12.745,22	-3,19%	448.214,69	2,91%	-60.959,91	-13,60%
Entgelte an Freiberufler o. Rechnung	5.082,27	0,03%			-5.082,27	-100,00%	4.988,22	0,03%	-4.988,22	-100,00%
Gelegenheitsarbeit INPS-Voucher	9.000,00	0,06%	8.021,35	0,05%	-978,65	-10,87%	9.000,00	0,06%	-978,65	-10,87%
Zusatzrentenversicherung	10.156,73	0,07%	14.791,05	0,10%	4.634,32	45,63%	9.957,58	0,06%	4.833,47	48,54%
Sonstige Personalkosten, Essen Buoni	135.573,59	0,88%	134.021,00	0,86%	-1.552,59	-1,15%	138.340,40	0,90%	-4.319,40	-3,12%
Abgrenzung Personalkosten monatlich	338.741,84	2,19%			-338.741,84	-100,00%				
Personalkosten	5.782.430,96	37,43%	5.847.558,20	37,70%	65.127,24	1,13%	5.704.888,92	37,02%	142.669,28	2,50%
Betriebsergebnis II	7.822.752,75	50,64%	7.794.586,90	50,26%	-28.165,85	-0,36%	7.856.751,06	50,98%	-62.164,16	-0,79%
Stromkosten	302.906,73	1,96%	304.196,49	1,96%	1.289,76	0,43%	300.928,71	1,95%	3.267,78	1,09%
Gas+Heizöl+Hackschnitzel	177.558,95	1,15%	129.023,19	0,83%	-48.535,76	-27,34%	170.095,42	1,10%	-41.072,23	-24,15%
Wasser, Abwasser	135.869,65	0,88%	120.584,78	0,78%	-15.284,87	-11,25%	133.844,21	0,87%	-13.259,43	-9,91%
ZS Energie	616.335,32	3,99%	553.804,46	3,57%	-62.530,86	-10,15%	604.868,34	3,93%	-51.063,88	-8,44%
Instandhaltung Gebäude	150.000,00	0,97%	113.796,33	0,73%	-36.203,67	-24,14%	136.564,00	0,89%	-22.767,67	-16,67%
Wartung und Instandhaltung Einrichtungen	175.000,00	1,13%	160.856,99	1,04%	-14.143,01	-8,08%	171.633,92	1,11%	-10.776,93	-6,28%
Wartungsverträge	23.000,00	0,15%	26.530,59	0,17%	3.530,59	15,35%	26.101,06	0,17%	429,53	1,85%
Material für Reparaturen und Instandhaltu	117.616,16	0,76%	134.183,04	0,87%	16.566,88	14,09%	119.864,68	0,78%	14.318,36	11,95%
ZS Reparaturen und Instandhaltung	465.616,16	3,01%	435.366,95	2,81%	-30.249,21	-6,50%	454.163,66	2,95%	-18.796,71	-4,14%
Reisespesen	974,26	0,01%	2.137,73	0,01%	1.163,47	119,42%	955,16	0,01%	1.182,57	123,81%
Buchhaltung E.D.V.	29.623,63	0,19%	30.580,12	0,20%	956,49	3,23%	29.042,77	0,19%	1.537,35	5,29%
Zeitschriften und Fachliteratur	14.106,24	0,09%	15.137,07	0,10%	1.030,83	7,31%	13.517,65	0,09%	1.619,42	11,98%
Lohnbuchhaltung	37.228,00	0,24%	37.952,54	0,24%	724,54	1,95%	37.228,00	0,24%	724,54	1,95%
Telefon	30.046,78	0,19%	25.218,75	0,16%	-4.828,03	-16,07%	31.089,44	0,20%	-5.870,69	-18,88%
Bürobedarf	70.000,00	0,45%	77.565,27	0,50%	7.565,27	10,81%	61.836,83	0,40%	15.728,44	25,44%
Steuer-, Rechts- und Fachberatung	77.176,06	0,50%	60.648,23	0,39%	-16.527,83	-21,42%	83.319,70	0,54%	-22.671,47	-27,21%
Sonstige Verwaltungskosten	6.238,90	0,04%	5.525,02	0,04%	-713,88	-11,44%	13.977,79	0,09%	-8.452,77	-60,47%
Beiträge an Fachverbände, Handelskamr	2.332,74	0,02%	2.333,00	0,02%	0,26	0,01%	2.287,00	0,01%	46,00	2,01%
Bankspesen	18.000,00	0,12%	10.150,95	0,07%	-7.849,05	-43,61%	16.284,83	0,11%	-6.133,88	-37,67%
Bankprovisionen, Kommissionen Kreditk	154.477,93	1,00%	146.933,35	0,95%	-7.544,58	-4,88%	148.055,33	0,96%	-1.121,98	-0,76%
Weiterbildung	15.000,00	0,10%	8.930,41	0,06%	-6.069,59	-40,46%	11.950,48	0,08%	-3.020,07	-25,27%
Spenden	400,00	0,00%	10,00	0,00%	-390,00	-97,50%	400,00	0,00%	-390,00	-97,50%

Antiche Terme	30.000,00	0,19%	19.664,35	0,13%	-10.335,65	-34,45%	33.369,14	0,22%	-13.704,79	-41,07%
Erlöse aus Spesenweiterbelastung	9.350,00	0,08%			-9.350,00	-100,00%	9.350,00	0,08%	-9.350,00	-100,00%
ZS Verwaltung	476.254,54	3,08%	442.786,79	2,85%	-33.467,75	-7,03%	473.964,12	3,08%	-31.177,33	-6,58%
LKW Treibstoff und Schmiermittel	5.060,46	0,03%	4.757,53	0,03%	-302,93	-5,99%	4.961,24	0,03%	-203,71	-4,11%
LKW Wartung und Instandhaltung	3.197,62	0,02%	3.087,00	0,02%	-110,62	-3,46%	3.134,92	0,02%	-47,92	-1,53%
LKW Kfz-Steuer und -Versicherung	1.965,43	0,01%	1.216,27	0,01%	-749,16	-38,12%	1.535,18	0,01%	-318,91	-20,77%
LKW Autobahn, Bereifung und sonstige	167,22	0,00%	18,00	0,00%	-149,22	-89,24%	163,94	0,00%	-145,94	-89,02%
PKW Treibstoff und Schmiermittel	970,55	0,01%	605,41	0,00%	-365,14	-37,62%	951,52	0,01%	-346,11	-36,37%
PKW Wartung und Instandhaltung	1.346,07	0,01%	487,13	0,00%	-858,94	-63,81%	5.384,28	0,03%	-4.897,15	-90,95%
PKW Kfz-Steuer und -Versicherung	1.256,55	0,01%	810,83	0,01%	-445,72	-35,47%	1.161,57	0,01%	-350,74	-30,20%
PKW Autobahn, Bereifung und sonstige	94,46	0,00%	8,41	0,00%	-86,05	-91,10%	93,93	0,00%	-85,52	-91,05%
ZS Kosten des Fuhrpark	14.058,36	0,09%	10.990,58	0,07%	-3.067,78	-21,82%	17.386,58	0,11%	-6.396,00	-36,79%
Betriebsversicherung	27.000,00	0,17%	29.146,08	0,19%	2.146,08	7,95%	21.870,91	0,14%	7.275,17	33,26%
ZS Versicherung	27.000,00	0,17%	29.146,08	0,19%	2.146,08	7,95%	21.870,91	0,14%	7.275,17	33,26%
Einkauf Bedarf Schwimmbäder und Saun	40.000,00	0,26%	33.263,37	0,21%	-6.736,63	-16,84%	50.952,18	0,33%	-17.688,81	-34,72%
Einkauf Reinigungsmittel			97.171,84	0,63%	97.171,84		91.256,80	0,59%	5.915,04	6,48%
Einkauf Courtesy-Produkte	82.016,10	0,53%	82.722,40	0,53%	706,30	0,86%	77.632,94	0,50%	5.089,46	6,56%
Verbrauchsmaterialien Küche, Saal und E	56.377,17	0,36%	76.050,32	0,49%	19.673,15	34,90%	55.271,74	0,36%	20.778,58	37,59%
Einkauf sonstiger Hotelbedarf	95.000,00	0,61%	70.537,64	0,45%	-24.462,36	-25,75%	86.449,28	0,56%	-15.911,64	-18,41%
Transportspesen	4.816,08	0,03%	6.517,10	0,04%	1.701,02	35,32%	5.043,15	0,03%	1.473,95	29,23%
Reinigung	2.216,58	0,01%	3.971,01	0,03%	1.754,43	79,15%	2.173,12	0,01%	1.797,89	82,73%
Dekoration	12.345,01	0,08%	7.691,04	0,05%	-4.653,97	-37,70%	12.102,95	0,08%	-4.411,91	-36,45%
Sonstige Betriebskosten	141.546,94	0,92%	207.542,33	1,34%	65.995,39	46,62%	153.048,93	0,99%	54.493,40	35,61%
Sonstige Erlöse	3.453,00	0,02%	8.399,73	0,05%	4.946,73	143,26%	3.385,29	0,02%	5.014,44	148,12%
ZS Betriebskosten	430.864,90	2,79%	577.067,32	3,72%	146.202,42	33,93%	530.545,80	3,44%	46.521,52	8,77%
Kommissionen Reisebüros	157.917,15	1,02%	153.546,75	0,99%	-4.370,40	-2,77%	156.338,36	1,01%	2.791,61	1,79%
Werbespesen Inserate	250.000,00	1,62%	243.178,31	1,57%	-6.821,69	-2,73%	241.807,46	1,57%	1.370,85	0,57%
Postspesen, Stempelmarken	42.000,00	0,27%	41.579,78	0,27%	-420,22	-1,00%	41.651,50	0,27%	-71,72	-0,17%
Drucksorten	60.000,00	0,39%	25.285,55	0,16%	-34.714,45	-57,86%	59.196,26	0,38%	-33.910,71	-57,29%
ZS Marketing	509.917,15	3,30%	463.590,39	2,99%	-46.326,76	-9,09%	498.993,58	3,24%	-35.403,19	-7,09%
Forderungsverluste			4.526,80	0,03%	4.526,80				4.526,80	
Buchverluste aus Anlagenverkauf			1.653,16	0,01%	1.653,16				1.653,16	
Entschädigung Aufsichtsrat	15.000,00	0,10%	13.520,00	0,09%	-1.480,00	-9,87%	14.196,00	0,09%	-676,00	-4,76%
Nicht abzugsfähige Kosten			353,30	0,00%	353,30		1.080,70	0,01%	727,40	206,31%
Repräsentationskosten	5.076,54	0,03%	5.944,60	0,04%	868,06	17,10%	4.977,00	0,03%	967,60	19,44%
Nicht abzugsfähige Steuern			36.486,66	0,24%	36.486,66		120.728,22	0,78%	-84.241,56	-69,78%
Betriebsjahrfremde Kosten			5.466,35	0,04%	5.466,35				5.466,35	
ZS sonstige Kosten	20.076,54	0,13%	25.997,86	0,17%	5.921,32	29,49%	20.253,70	0,13%	5.744,16	28,36%
Steuern und Gemeindeumlagen	104.702,31	0,68%	34.173,87	0,22%	-70.528,44	-67,36%	105.870,20	0,69%	-71.696,33	-67,72%
SIAE und ENPALS	14.550,63	0,09%	14.560,08	0,09%	9,45	0,06%	14.265,32	0,09%	294,76	2,07%
Konzessionsgebühren	12.000,00	0,08%	12.758,72	0,08%	758,72	6,32%	8.936,31	0,06%	3.822,41	42,77%
Registergebühren	123,42	0,00%			-123,42	-100,00%	121,00	0,00%	-121,00	-100,00%
IMU	81.502,08	0,53%	76.358,00	0,49%	-5.144,08	-6,31%	79.904,00	0,52%	-3.548,00	-4,44%
ZS Steuern und Gebühren	212.878,43	1,38%	137.850,67	0,89%	-75.027,76	-35,24%	209.096,83	1,36%	-71.246,16	-34,07%
Summe Betriebskosten	2.773.001,40	17,95%	2.676.601,10	17,26%	-96.400,30	-3,48%	2.831.143,52	18,37%	-154.542,42	-5,46%
Betriebsergebnis III (GOP)	5.049.751,34	32,69%	5.117.985,80	33,00%	68.234,46	1,35%	5.025.607,54	32,61%	92.378,26	1,84%
Zusätzliche Instandhaltung Gebäude			184.456,16	1,19%	184.456,16				184.456,16	
Zusätzliche Instandh. Einrichtungen und Ma	109.092,66	0,71%	162.401,62	1,05%	53.308,96	48,87%	106.953,59	0,69%	55.448,03	51,84%
Summe außerordentliche Instandhaltung und f	109.092,66	0,71%	346.857,78	2,24%	237.765,12	217,95%	106.953,59	0,69%	239.904,19	224,31%
Betriebsergebnis III/Bis (GOP)	4.940.658,68	31,98%	4.771.128,02	30,76%	-169.530,66	-3,43%	4.918.653,95	31,92%	-147.525,93	-3,00%
K/K Zinsen (händisch)			1,56	0,00%	1,56		2,54	0,00%	-0,98	-38,58%
K/K Zinsen			1,56	0,00%	1,56		2,54	0,00%	-0,98	-38,58%
Darlehenszinsen	140.000,00	0,91%	136.340,66	0,88%	-3.659,34	-2,61%	153.374,51	1,00%	-17.033,85	-11,11%
Darlehenszinsen	140.000,00	0,91%	136.340,66	0,88%	-3.659,34	-2,61%	153.374,51	1,00%	-17.033,85	-11,11%
Kursdifferenzen			2,89	0,00%	2,89		36,01	0,00%	-33,12	-91,97%
Miete	11.922,32	0,08%	11.794,12	0,08%	-128,20	-1,08%	11.688,55	0,08%	105,57	0,90%

ZS Fremdkapitalkosten	11.922,32	0,08%	11.797,01	0,08%	-125,31	-1,05%	11.724,56	0,08%	72,45	0,62%
aktive Bankzinsen	17.665,64	0,11%	8.924,69	0,06%	-8.740,95	-49,48%	22.042,20	0,14%	-13.117,51	-59,51%
Buchgewinn aus Anlagenverkauf PKW (2)			1.000,00	0,01%	1.000,00		3.435,96	0,02%	-2.435,96	-70,90%
Erlöse Wertpapierzinsen	8.399,41	0,05%	9.389,49	0,06%	990,08	11,79%	9.176,71	0,06%	212,78	2,32%
Erlöse Finanzierungszinsen			75.936,34	0,49%	75.936,34		77.476,80	0,50%	-1.540,46	-1,99%
Schadensrückvergütung Versicherung							5.188,18	0,03%	-5.188,18	-100,00%
Entschädigung Verwaltungstätigkeit	300.000,00	1,94%	300.000,00	1,93%			300.000,00	1,95%		
Entschädigung Beratungstätigkeit	120.000,00	0,78%	120.000,00	0,77%			120.000,00	0,78%		
Ausserordentl. Erlöse N. Steuerbar							226.863,19	1,47%	-226.863,19	-100,00%
Ausserordentl. Erlöse Platzer							2.625,18	0,02%	-2.625,18	-100,00%
ZS sonstige außerordentliche Erlöse und K	-393.934,95	-2,55%	-324.749,48	-2,09%	69.185,47	-17,56%	-302.680,15	-1,96%	-22.069,33	7,29%
Summe sonstige operative Kosten, außerorde	545.857,27	3,53%	472.888,71	3,05%	-72.968,56	-13,37%	467.781,76	3,04%	5.106,95	1,09%
BE IV vor Abschreibungen, Steuern, Kapitaltilg	4.394.801,41	28,45%	4.298.239,31	27,71%	-96.562,10	-2,20%	4.450.872,19	28,88%	-152.632,88	-3,43%
+ Beiträge Staat			75.214,37	0,48%	75.214,37		75.497,10	0,49%	-282,73	-0,37%
Kapitalbeiträge Land			51.540,04	0,33%	51.540,04		51.540,04	0,33%		
ZS Beiträge Staat und Land			126.754,41	0,82%	126.754,41		127.037,14	0,82%	-282,73	-0,22%
ZS Leasing										
ZS Leasing und Fremdkapital										
BE V vor Abschreibungen und Steuer	4.394.801,41	28,45%	4.424.993,72	28,53%	30.192,31	0,69%	4.577.909,33	29,71%	-152.915,61	-3,34%
Abschr. Gebäude			350.868,63	2,26%	350.868,63		330.701,38	2,15%	20.167,25	6,10%
Abschr. Heiz., Sanitär, Elektro			584.294,06	3,77%	584.294,06		581.463,45	3,77%	2.830,61	0,49%
Abschr. Einrichtung, Holzd., Warmböden			384.419,12	2,48%	384.419,12		538.037,56	3,49%	-153.618,44	-28,55%
Abschr. Maschinen			115.883,62	0,75%	115.883,62		113.238,49	0,73%	2.645,13	2,34%
Abschr. Bueromaschinen, Kassen, EDV			23.588,80	0,15%	23.588,80		27.217,24	0,18%	-3.628,44	-13,33%
Abschr. Fuhrpark LKW, Nutzfahrzeuge			1.000,00	0,01%	1.000,00		1.000,00	0,01%		
Abschr. Büroeinrichtung			311,95	0,00%	311,95		231,20	0,00%	80,75	34,93%
Abschr. Ausstattung			42.593,58	0,27%	42.593,58		41.391,41	0,27%	1.202,17	2,90%
Abschr. GWG			40.315,39	0,26%	40.315,39		1.946,25	0,01%	38.369,14	1.971,44%
Abschr. Aktiv. Finanzkosten			3.120,79	0,02%	3.120,79		3.120,79	0,02%		
Abschr. Busse, Fahrräder u. Sonst.			3.624,97	0,02%	3.624,97		3.299,17	0,02%	325,80	9,88%
Abschr. Software			6.828,76	0,04%	6.828,76		7.131,18	0,05%	-302,42	-4,24%
Abschr. Wäsche			71.823,91	0,46%	71.823,91		75.479,05	0,49%	-3.655,14	-4,84%
Abschr. Fuhrpark, PKW			7.250,00	0,05%	7.250,00		3.625,00	0,02%	3.625,00	100,00%
Abschr. Telefonanlage			1.389,00	0,01%	1.389,00		1.389,00	0,01%		
ZS Abschreibungen			1.637.312,58	10,56%	1.637.312,58		1.729.271,17	11,22%	-91.958,59	-5,32%
ZS Abschreibungen (2)										
I.R.E.S.			700.439,00	4,52%	700.439,00		732.921,00	4,76%	-32.482,00	-4,43%
I.R.A.P.			301.245,00	1,94%	301.245,00		302.918,00	1,97%	-1.673,00	-0,55%
Passive latente Steuern I.R.A.P.							-5.041,00	-0,03%	5.041,00	-100,00%
ZS IRAP, IRES			1.001.684,00	6,46%	1.001.684,00		1.030.798,00	6,69%	-29.114,00	-2,82%
Abschreibungen, Beiträge			2.638.996,58	17,01%	2.638.996,58		2.760.069,17	17,91%	-121.072,59	-4,39%
Gewinn/Verlust laut G + V	4.394.801,41	28,45%	1.785.997,14	11,52%	-2.608.804,27	-59,36%	1.817.840,16	11,80%	-31.843,02	-1,75%
Kontorlle BH										
Umsatz BH			-15.509.826,59							
Umsatz ASA			15.509.826,59							
Nicht abzugsfähige Steuern			36.486,66							
Betriebsjahrfremde Kosten			5.466,35							
ZS Fremdkapitalkosten			0,00							
Hogast Bonifikation			0,00							
Summe BP			1.744.044,13							
Summe BH			-1.744.044,13							

10.8 Appendix H: Key Numbers of the Adler Thermae in 2014

Kennzahlen									
Beherbergungskennzahlen									
Öffnungstage	334,00	334,00				339,00	-5,00	-1,47%	
Doppelzimmer	78,00	78,00				78,00			
Familien suite	12,00	12,00				12,00			
Anzahl Zimmer gesamt	90,00	90,00				90,00			
Zimmerbelegung max. Doppelzimmer	26.052,00	26.052,00				26.442,00	-390,00	-1,47%	
Zimmerbelegung max. Familien suite	4.008,00	4.008,00				4.068,00	-60,00	-1,47%	
Zimmerbelegung max. gesamt	30.060,00	30.060,00				30.510,00	-450,00	-1,47%	
Zimmerbelegung Doppelzimmer	24.466,37	25.415,00	948,63	3,88%		24.971,00	444,00	1,78%	
Zimmerbelegung Familien suite	3.655,89	3.481,00	-174,89	-4,78%		3.663,00	-182,00	-4,97%	
Zimmerbelegung gesamt	28.122,26	28.896,00	773,74	2,75%		28.634,00	262,00	0,91%	
Auslastung Doppelzimmer	93,91%	97,55%	0,04%	0,04%		94,44%	0,03%	0,03%	
Auslastung Familien suite	91,21%	86,85%	-0,04%	-0,05%		90,04%	-0,03%	-0,04%	
Auslastung gesamt	93,55%	96,13%	0,03%	0,03%		93,85%	0,02%	0,02%	
Betten Erwachsene	180,00	180,00				180,00			
Betten Kinder	37,00	37,00				37,00			
Betten gesamt	217,00	217,00				217,00			
Nächtigungen max. Erwachsene	60.120,00	60.120,00				61.020,00	-900,00	-1,47%	
Nächtigungen max. Kinder	12.358,00	12.358,00				12.543,00	-185,00	-1,47%	
Nächtigungen max. gesamt	72.478,00	72.478,00				73.563,00	-1.085,00	-1,47%	
Nächtigungen Erwachsene	54.677,40	57.146,00	2.468,60	4,51%		55.781,00	1.365,00	2,45%	
Nächtigungen Kinder	9.722,58	8.548,00	-1.174,58	-12,08%		9.815,00	-1.267,00	-12,91%	
Nächtigungen gesamt	64.399,99	65.694,00	1.294,01	2,01%		65.596,00	98,00	0,15%	
Auslastung Betten Erwachsene	91,56%	95,05%	0,03%	0,04%		91,41%	0,04%	0,04%	
Auslastung Betten Kinder	82,14%	69,17%	-0,13%	-0,16%		78,25%	-0,09%	-0,12%	
Auslastung Betten gesamt	88,85%	90,64%	0,02%	0,02%		89,17%	0,01%	0,02%	
Errechnung T/G Halbpension									
Umsatz Halbpension Erwachsene	10.524.988,20	10.649.740,30	124.752,10	1,19%		10.464.761,23	184.979,07	1,77%	
Nächtigungen Erwachsene	54.677,40	57.146,00	2.468,60	4,51%		55.781,00	1.365,00	2,45%	
T/G Halbpension Erwachsene korrigiert	192,49	186,36	-6,13	-3,19%		187,60	-1,24	-0,66%	
Umsatz Halbpension Kinder	814.784,90	831.000,05	16.215,15	1,99%		798.313,04	32.687,01	4,09%	
Nächtigungen Kinder	9.722,58	8.548,00	-1.174,58	-12,08%		9.815,00	-1.267,00	-12,91%	
T/G Halbpension Kinder korrigiert	83,80	97,22	13,41	16,00%		81,34	15,88	19,52%	
Umsatz Halbpension Gesamt	11.339.773,09	11.480.740,34	140.967,25	1,24%		11.263.074,26	217.666,08	1,93%	
Nächtigungen Gesamt	64.399,99	65.694,00	1.294,01	2,01%		65.596,00	98,00	0,15%	
T/G Halbpension Gesamt	176,08	174,76	-1,32	-0,75%		171,70	3,06	1,78%	
REVPAR	513,90	515,96	2,06	0,40%		505,09	10,88	2,15%	
Umsatz Logis pro Bett	52.257,02	52.906,64	649,62	1,24%		51.903,57	1.003,07	1,93%	
Umsatz Logis pro Zimmer	125.997,48	127.563,78	1.566,30	1,24%		125.145,27	2.418,51	1,93%	
Errechnung T/G Extras									
Nächtigungen Erwachsene	54.677,40	57.146,00	2.468,60	4,51%		55.781,00	1.365,00	2,45%	
Umsatz Getränke Saal	655.941,66	626.603,07	-29.338,59	-4,47%		660.885,36	-34.282,29	-5,19%	
T/G Getränke Saal korrigiert	12,00	10,96	-1,03	-8,60%		11,85	-0,88	-7,45%	
Umsatz Speisen Saal	301.690,73	315.546,91	13.856,18	4,59%		306.852,25	8.694,66	2,83%	
T/G Speisen Saal korrigiert	5,52	5,52	0,00	0,07%		5,50	0,02	0,38%	
Umsatz Saal Gesamt	957.632,39	942.149,98	-15.482,41	-1,62%		967.737,61	-25.587,63	-2,64%	
T/G Saal Gesamt	17,51	16,49	-1,03	-5,87%		17,35	-0,86	-4,97%	
Umsatz Getränke Bar	263.762,30	270.284,48	6.522,19	2,47%		262.337,38	7.947,10	3,03%	
T/G Getränke Bar korrigiert	4,82	4,73	-0,09	-1,95%		4,70	0,03	0,57%	
Umsatz Speisen Bar	9.386,29	8.835,91	-550,38	-5,86%		9.310,45	-474,55	-5,10%	
T/G Speisen Bar korrigiert	0,17	0,15	-0,02	-9,93%		0,17	-0,01	-7,36%	
Umsatz Bar Gesamt	273.148,59	279.120,39	5.971,80	2,19%		271.647,84	7.472,55	2,75%	
T/G Bar Gesamt	5,00	4,88	-0,11	-2,23%		4,87	0,01	0,30%	
Umsatz Minibar	29.080,26	26.746,06	-2.334,19	-8,03%		29.677,41	-2.931,35	-9,88%	
T/G Minibar korrigiert	0,53	0,47	-0,06	-12,00%		0,53	-0,06	-12,03%	
Umsatz Weinkeller	33.568,88	34.823,43	1.254,54	3,74%		33.702,79	1.120,63	3,33%	
T/G Weinkeller korrigiert	0,61	0,61	0,00	-0,74%		0,60	0,01	0,86%	
Umsatz F&B Gesamt	1.293.430,12	1.282.839,86	-10.590,26	-0,82%		1.302.765,65	-19.925,79	-1,53%	
T/G Umsatz F&B Gesamt	23,66	22,45	-1,21	-5,10%		23,36	-0,91	-3,88%	

Umsatz Anwendungen Spa	2.388.319,75	2.296.252,52	-90.067,23	-3,77%	2.414.974,34	-116.721,82	-4,83%
T/G Anwendungen Spa korrigiert	43,68	40,22	-3,46	-7,93%	43,29	-3,08	-7,11%
Umsatz Produkte Spa	287.183,20	291.737,20	4.554,01	1,59%	290.638,44	1.098,77	0,38%
T/G Produkte Spa korrigiert	5,25	5,11	-0,15	-2,80%	5,21	-0,11	-2,02%
Umsatz Spa Gesamt	2.675.502,95	2.589.989,73	-85.513,23	-3,20%	2.705.612,77	-115.623,05	-4,27%
T/G Umsatz Spa Gesamt	48,93	45,32	-3,61	-7,38%	48,50	-3,18	-6,56%
Umsatz Reisevorsorge	71.623,55	79.326,55	7.703,01	10,75%	72.775,17	6.551,38	9,00%
T/G Reisevorsorge korrigiert	1,31	1,39	0,08	5,97%	1,30	0,08	6,40%
Umsatz Sonstige	67.463,53	76.930,11	9.466,57	14,03%	65.949,12	10.980,99	16,65%
T/G Sonstige korrigiert	1,23	1,35	0,11	9,11%	1,18	0,16	13,86%
Umsatz Extras Gesamt	4.108.020,15	4.029.086,25	-78.933,90	-1,92%	4.147.102,71	-118.016,46	-2,85%
T/G Extras Gesamt	75,13	70,51	-4,63	-6,16%	74,35	-3,84	-5,17%
Errechnung T/G Gesamt							
Umsatz Erwachsene Halbpension	10.524.988,20	10.649.740,30	124.752,10	1,19%	10.464.761,23	184.979,07	1,77%
Umsatz Extras	4.108.020,15	4.029.086,25	-78.933,90	-1,92%	4.147.102,71	-118.016,46	-2,85%
Umsatz Erwachsene Gesamt	14.633.008,34	14.678.826,54	45.818,20	0,31%	14.611.863,94	66.962,61	0,46%
Nächtigungen Erwachsene	54.677,40	57.146,00	2.468,60	4,51%	55.781,00	1.365,00	2,45%
T/G Erwachsene Gesamt	267,62	256,87	-10,76	-4,02%	261,95	-5,09	-1,94%
Umsatz Kinder Halbpension	814.784,90	831.000,05	16.215,15	1,99%	798.313,04	32.687,01	4,09%
Umsatz Kinder Gesamt	814.784,90	831.000,05	16.215,15	1,99%	798.313,04	32.687,01	4,09%
Nächtigungen Kinder	9.722,58	8.548,00	-1.174,58	-12,08%	9.815,00	-1.267,00	-12,91%
T/G Kinder Gesamt	83,80	97,22	13,41	16,00%	81,34	15,88	19,52%
Umsatz Erwachs. + Kinder Halbpension	11.339.773,09	11.480.740,34	140.967,25	1,24%	11.263.074,26	217.666,08	1,93%
Umsatz Erwachs. + Kinder Extras	4.108.020,15	4.029.086,25	-78.933,90	-1,92%	4.147.102,71	-118.016,46	-2,85%
Umsatz Erwachs. + Kinder Gesamt	15.447.793,24	15.509.826,59	62.033,35	0,40%	15.410.176,97	99.649,62	0,65%
Nächtigungen Erwachs. + Kinder	64.399,99	65.694,00	1.294,01	2,01%	65.596,00	98,00	0,15%
T/G Erwachs. + Kinder Gesamt	239,87	236,09	-3,78	-1,58%	234,93	1,17	0,50%
Errechnung Wareneinsatz							
Wareneinkauf Lebensmittel	1.134.604,22	1.134.335,82	-268,40	-0,02%	1.124.047,98	10.287,84	0,92%
Wareneinkauf Verrechnung Lebensmittel VF	102.655,42	114.162,99	11.507,57	11,21%	109.936,09	4.226,90	3,84%
Wareneinkauf Verrechnung Lebensmittel VF	7.278,00	6.976,00	-302,00	-4,15%	7.278,00	-302,00	-4,15%
Wareneinkauf Verrechnung Lebensmittel Mi	155.271,00	154.284,00	-987,00	-0,64%	156.671,00	-2.387,00	-1,52%
Wareneinkauf Verrechnung Lebensmittel Privat		90,00	90,00		168,00	-78,00	-46,43%
Wareneinkauf Verrechnung Lebensmittel Sonstige		30,00	30,00		108,00	-78,00	-72,22%
Wareneinkauf Verrechnung Lebensmittel Gesa	265.204,42	275.542,99	10.338,57	3,90%	274.161,09	1.381,90	0,50%
Wareneinsatz Lebensmittel Halbpension	869.399,80	858.792,83	-10.606,97	-1,22%	849.886,89	8.905,94	1,05%
Wareneinsatz Lebensmittel T/G HP korrigiert	13,50	13,07	-0,43	-3,17%	12,96	0,12	0,90%
Wareneinkauf Getränke	336.454,21	368.074,53	31.620,32	9,40%	326.342,87	41.731,66	12,79%
Wareneinkauf Verrechnung Getränke	12.277,69	8.469,76	-3.807,93	-31,02%	12.277,69	-3.807,93	-31,02%
Wareneinkauf Verrechnung Getränke Gesamt	12.277,69	8.469,76	-3.807,93	-31,02%	12.277,69	-3.807,93	-31,02%
Wareneinsatz Getränke	324.176,52	359.604,77	35.428,25	10,93%	314.065,18	45.539,59	14,50%
Umsatz Getränke	982.353,10	958.457,04	-23.896,05	-2,43%	986.602,95	-28.145,91	-2,85%
Wareneinsatz Getränke in Prozent	33,00%	37,52%	0,05%	0,14%	31,83%	0,06%	0,18%
Wareneinkauf SPA	373.551,10	367.526,16	-6.024,94	-1,61%	398.303,58	-30.777,42	-7,73%
Wareneinkauf Verrechnung Privat SPA	15.010,72	15.959,65	948,93	6,32%	15.010,72	948,93	6,32%
Wareneinkauf Verrechnung Produkte SPA	143.591,60	145.868,60	2.277,00	1,59%	145.319,22	549,38	0,38%
Wareneinkauf Verrechnung SPA Gesamt	158.602,32	161.828,25	3.225,93	2,03%	160.329,94	1.498,31	0,93%
Wareneinsatz SPA für Anwendungen	214.948,78	205.697,91	-9.250,87	-4,30%	237.973,64	-32.275,73	-13,56%
Umsatz SPA Anwendungen	2.388.319,75	2.296.252,52	-90.067,23	-3,77%	2.414.974,34	-116.721,82	-4,83%
Wareneinsatz SPA Anwendungen in Prozent	9,00%	8,95%	0,00%	-0,01%	9,85%	-0,01%	-0,09%

10.9 Appendix I: Cash flow prognosis of Adler Spa Resorts (2015-2023)

Cash Flow kumuliert HAD-HAT-AML											
	2015	2016	2017	2018	2019	2020	2021	2022	2023		
GOP	13.122.833,33	13.037.254,57	13.124.835,56	13.184.094,38	13.377.354,99	13.614.721,27	13.970.051,30	14.130.203,68	14.298.570,81		
Auß. Instandhaltung (-)	753.794,00	400.000,00	400.000,00	400.000,00	400.000,00	400.000,00	400.000,00	400.000,00	400.000,00		
Fremdkapitalzinsen BTV und MPS (-)	282.619,06	220.958,33	155.888,40	83.776,27	62.708,92	47.193,27	31.456,22	15.494,60	0,00		
Leasing (-)	1.862.435,63	1.647.794,32	1.209.089,70	1.128.529,88	1.017.534,92	1.017.534,92	1.017.534,92	1.017.534,92	1.017.534,92		
Gewinnausschüttung an Gesellschafter (-)	1.000.000,00	1.000.000,00	1.000.000,00	1.000.000,00	1.000.000,00	1.000.000,00	1.000.000,00	1.000.000,00	1.000.000,00		
Imposte (-)	1.874.607,89	2.201.209,87	2.571.782,46	2.636.299,43	2.754.414,32	2.851.730,22	2.975.302,55	3.032.513,43	3.095.768,75		
Ersatzinvestitionen (-)	1.500.000,00	1.505.000,00	1.510.000,00	1.515.000,00	1.550.000,00	1.500.000,00	1.520.000,00	1.525.000,00	1.530.000,00		
Mieterlöse (+)	115.099,85	115.099,85	115.099,85	115.099,85	115.099,85	115.099,85	115.099,85	115.099,85	115.099,85		
Miete und Sonstiges (-)	792.634,85	792.634,85	792.634,85	792.634,85	792.634,85	792.634,85	792.634,85	792.634,85	792.634,85		
Verwalter Entschädigungen + Beratungskosten (-)	540.000,00	540.000,00	540.000,00	540.000,00	540.000,00	540.000,00	540.000,00	540.000,00	540.000,00		
MwSt. Kompensation (+)	895.671,11	613.233,41	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
CASHFLOW I annuo	5.527.512,86	5.457.990,45	5.060.540,01	5.202.953,81	5.375.161,83	5.580.727,86	5.808.222,61	5.922.125,73	6.037.732,14		
Rückzahlung Darlehen MPS	1.027.380,94	1.042.041,67	1.056.911,60	1.071.993,73	1.087.291,08	1.102.806,73	1.118.543,78	976.698,70	0,00		
Rückzahlung BTV	2.181.429,03	2.469.967,62	2.817.549,51	531.053,84	0,00	0,00	0,00	0,00	0,00		
CASHFLOW II annuo	2.318.702,89	1.945.981,16	1.186.078,90	3.599.906,23	4.287.870,75	4.477.921,13	4.689.678,83	4.945.427,03	6.037.732,14		
CASHFLOW II kumuliert	2.318.702,89	4.264.684,05	5.450.762,94	9.050.669,18	13.338.539,92	17.816.461,06	22.506.139,89	27.451.566,92	33.489.299,06		
Im Unternehmen bleibende Mittel	1.540.000,00	1.540.000,00	1.540.000,00	1.540.000,00	1.540.000,00	1.540.000,00	1.540.000,00	1.540.000,00	1.540.000,00		
Verfügbare Mittel	3.858.702,89	3.485.981,16	2.726.078,90	5.139.906,23	5.827.870,75	6.017.921,13	6.229.678,83	6.485.427,03	7.577.732,14		
Verfügbare Mittel kumuliert	3.858.702,89	7.344.684,05	10.070.762,94	15.210.669,18	21.038.539,92	27.056.461,06	33.286.139,89	39.771.566,92	47.349.299,06		

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