Types of agglomeration effects and location choices of international hotels in an emerging market

Abstract

When international chain hotels are seeking new locations in which to establish new properties, local knowledge of those locations is essential for success. By incorporating agglomeration and internationalization research, this study investigates how international hotels can acquire local knowledge from the existing hotels. The study presents two different kinds of hotel agglomerations (same-country-of-origin and higher-differentiation agglomerations) as sources of local knowledge and shows how international hotels choose their locations based on types of agglomerations and their entry strategies. The study employs conditional logistic regression, using a sample of international hotels in China. Results indicate that international hotels, especially those with franchising, are more likely to choose a location where the hotels from the same country of origin are highly located. Because they share the same culture and business practices, new hotel entrants may more easily assimilate the local knowledge that compatriot hotels have accumulated.

Keywords:

Agglomeration; Internationalization; Entry Mode; Emerging Market; Location Strategy; Knowledge Transfer

1. Introduction

International hotel companies are continually increasing their penetration into overseas markets, especially in emerging countries such as China, India, Brazil, and Mexico (IBISWorld, 2015). For example, 94% of new hotels in the French hotel group, Accor Hotels, opened outside of their home country in 2017, and 80% of Accor's current pipelines are outside of Europe and concentrated in China and Brazil (AccorHotels, 2018). As hotel firms become more globalized, choosing the right location in foreign countries has become their most important strategic decision. The hotels are eager to find the market where they can acquire and develop resource advantages (Assaf, Josiassen, & Agbola, 2015; Johnson & Vanetti, 2005), because the availability of resources is critical to their success in unexperienced markets (Assaf et al., 2015; Dev, Brown, & Zhou, 2007). Among various resources, local knowledge is especially crucial for international hotels, because they face various challenges from the physical, cultural, social, economic, and political environments that are different from their own. The importance of local knowledge is even more significant when a firm aims to enter developing countries. One of the best ways to become familiar with the local market is to start a business near existing firms that have already experienced the challenges in that market (Tan & Meyer, 2011). In other words, foreign entrants that have less experience can gain local knowledge from existing co-located firms that have already accumulated that knowledge. Agglomeration studies have labeled these spillover effects or knowledge sharing as "agglomerating effects" or "agglomeration externalities."

Many hospitality researchers also have identified spillover effects that can accrue from firms' agglomerations. Agglomerations or geographic clusters of firms are common in the hospitality industry (Canina, Enz, & Harrison, 2005; Gan & Hernandez, 2012; Teller, Alexander, & Floh, 2016). Previous studies have found that hotels tend to locate geographically closer to other hotels to access resources already generated in those locations (Kalnins & Chung, 2004; S. K. Lee & Jang, 2015; McCann & Folta, 2008). In the hotel industry, managers commonly build social ties with neighboring hotels by exchanging room rates and occupancy information, seeking thereby to gain indirect benefits from their friendships (P. Ingram & Roberts, 2000; Kalnins, 2006). In the international context, foreign hotel entrants can obtain local knowledge through existing hotels by developing closer relationships with them. Thus, locating in a hotel cluster will ease a newly entering hotel's access to valuable local knowledge and will reduce the entrant's cost and time of searching for market information.

From a knowledge-based view, this study incorporates agglomeration benefits into internationalization theories to explain the location choices of international hotels. More specifically, this study describes how new international hotels can achieve local knowledge from two different types of agglomerations (i.e., same-country-of-origin agglomerations and higher-differentiation agglomerations), and it examines how these agglomerations affect the hotels' location selections in an emerging market. Thus, this study aims to fill the research gaps in internationalization studies and agglomeration studies. First, the findings of internationalization studies in the hotel industry are limited primarily at the country level. However, the location decision of international hotels ultimately ends within a country level (e.g., Hong Kong) rather

than at the country level (e.g., China) (Chang & Park, 2005). Thus, from its grounding in agglomeration theory, this study argues that international hotels' location strategies at a sub-country level (i.e., a cluster of hotels) are practically and strategically meaningful.

Even though the expansion of international hotels is increasing, existing agglomeration studies have failed to incorporate an international perspective. Furthermore, most previous studies on agglomeration (e.g., Canina et al., 2005; Chung & Kalnins, 2001; Kalnins & Chung, 2004) are based on the United States (U.S.) hotel industry, which is one of the most advanced hotel industries in the world and is strongly dominated by domestic hotel brands. Based on the hotels' differentiation (e.g., luxury vs. economy hotels), these studies have favored one type of agglomeration effect (i.e., the differentiation agglomeration effect) that is driven by heightened demand, such as demand spillover (S. K. Lee & Jang, 2015). However, their arguments and findings would be hard to apply to developing countries in which the hotel industries are less developed but are highly attractive to international hotels. Thus, in the context of emerging markets, this study suggests another type of agglomeration effect (i.e., the same-country-of-origin agglomeration effect), which is based on supply-side benefits, such as knowledge sharing and cooperation. More specifically, this study explains how same-country-of-origin agglomerations affect the location choices of international hotels, and it examines which agglomerations are more influential to those decisions by comparing the marginal effects of the same-country-of-origin agglomeration effects and the differentiation agglomeration effects.

The remainder of the paper is structured as follows. Section 2 is a literature review of internationalization and agglomeration studies and develops hypotheses related to the location choices of international hotels. Section 3 presents the study's methods and analysis, and section 4 presents the results from 100 international hotel brands located in Chinese markets. Finally, section 5 discusses the results and provides insights for the future of the industry and for further related studies.

2. Literature Review

2.1 Accessing Local Knowledge from an Agglomeration

Global firms encounter challenges when they expand internationally, and some fail to succeed or even survive in foreign markets. These challenges are collectively called the "liability of foreignness" (Zaheer, 1995), which refers to the costs resulting from unfamiliarity with a local market (Kostova & Zaheer, 1999; Zahra, Ireland, & Hitt, 2000). The liability of foreignness can be exacerbated when a firm enters a host country that differs significantly from its home country (Contractor, Kundu, & Hsu, 2003; Lu & Beamish, 2004; Ruigrok & Wagner, 2003). Even though multinational firms have strong competitive advantages in their home markets, they may struggle to implement their competitive advantage in a new market because of the liability of foreignness, because it eventually causes firms' performance to decrease and threatens their survival. To overcome the liability of foreignness, international hotels must acquire local knowledge as a critical resource to their survival and success in new markets (Assaf, Josiassen, & Oh, 2016; Dev et al., 2007; Williams & Shaw, 2011). In other words, such hotels need to

make a significant effort to gain knowledge from diverse sectors in order to assimilate into a foreign market (i.e., local knowledge). For example, they should research the market's better or best management practices, which may differ from their original practices in their home country, develop relationships with local supply chains (e.g., tour companies) to enhance co-production, and learn to adapt to the different local cultural and economic institutions (e.g., tax regimes) (Williams & Shaw, 2011).

However, local knowledge also has a tacit nature that is embedded primarily in individual people through their distinctive personal experiences (Polanyi, 1962). Because of that characteristic, local knowledge is hard to share with other firms, and personal interactions are required for transferring such knowledge (Polanyi, 1962). This type of tacit knowledge is especially relevant to hotel and tourism firms because of their high involvement of human labor. According to previous tourism studies, the co-location of tourism firms facilitates the transfer of such knowledge (Novelli, Schmitz, & Spencer, 2006; Shaw & Williams, 2009) because the locational proximity encourages more frequent social and profession interactions among people. From this perspective, foreign hotel entrants that have limited local knowledge can learn and access such knowledge more effectively from destinations where hotels are highly concentrated. In other words, international hotels will strategically select locations where other hotels are highly clustered, in an effort to obtain local knowledge, which in turn helps them to ensure their survival and increase their competitive advantage.

The decision to locate where the firms are clustered is consistent with the findings from agglomeration studies in the hotel industry. Based on the concept of positive external economies (Marshall, 1920), researchers have found that hotels tend to locate right next to each other in a specific district and to build as a cluster (Baum & Mezias, 1992; Enz, Canina, & Liu, 2008). A general consensus maintains that some hotels achieve agglomeration benefits more than others, and this heterogeneity of agglomeration effects is caused by various characteristics of hotel clusters (Canina et al., 2005; Chung & Kalnins, 2001; Enz et al., 2008; Kalnins & Chung, 2004; S. K. Lee & Jang, 2015). For example, new hotel entrants are more likely to locate with hotels having abundant resources, such as chain affiliations, large size (Chung & Kalnins, 2001), or high-quality services (Canina et al., 2005; Enz et al., 2008; Kalnins & Chung, 2004). Thus, foreign hotel entrants with low resources are more likely to locate near high-resource hotels that possess rich local knowledge. Based on the knowledge-based and agglomeration theories, this study suggests that foreign hotels can access local knowledge and are likely to enter two different types of hotel clusters: same-country-of-origin agglomerations and higher-differentiation agglomerations.

2.1.1 Same-country-of-origin Agglomeration Effects

Studies on international expansion have recognized agglomeration as a significant pull factor for multinational enterprise (MNEs) seeking to increase their investment in foreign locations. Most of those studies strongly supported the notion that the positive externalities of agglomeration outweigh negative externalities and have proven that MNEs are more likely to choose a

particular location with a higher concentration of firms from either the same or different industries (Nielsen, Asmussen, & Weatherall, 2017). In contrast to the agglomeration studies that have highlighted demand-side benefits, these foreign direct investment studies have focused on the supply-side benefits of location, such as access to specialized labor pooling and to shared market knowledge (McCann & Folta, 2008; Nielsen et al., 2017).

Several studies of MNE agglomerations have found that some locations are more attractive than others for foreign firms to enter and have higher concentrations of foreign firms. For example, global cities possess numerous and diverse advantages (e.g., such as highly skilled employees and local partners that are locally and globally knowledgeable, and facilitated use of expatriates) that help foreign companies to overcome the liability of foreignness (Goerzen, Geisler Asmussen, & Nielsen, 2013; Nachum, 2003). More interestingly, such firms have shown unique agglomeration patterns within foreign markets; they have co-located with other firms from the same home country, especially if they have less experience (Chang & Park, 2005; Chung & Song, 2004; Head, Ries, & Swenson, 1995; Tan & Meyer, 2011). When an international hotel first enters a new market, it has difficulty finding trustworthy local partners because of its lack of experience and knowledge (Dev et al., 2007). Because people are more likely to have strong social ties with others of the same ethnic origin (Manev & Stevenson, 2001), compatriot firms develop both formal networks (e.g., country-based associations) and informal networks (e.g., personal and family involvements in an expatriate community) (Tan & Meyer, 2011). These social interactions encourage trust within compatriot foreign companies and provide relevant sources of local knowledge (Feldman & Bolino, 1999; Miller, Thomas, Eden, & Hitt, 2008).

For new foreign entrants, knowledge from agglomeration by the same country of origin will be more useful because it will help to overcome the liability of foreignness (Johanson & Vahlne, 2009). Because every country has its unique culture (Hofstede, 1993), the experiential knowledge that foreign firms have created in the local market is nation specific (Chang & Park, 2005). Moreover, because of having the same business practices in their home country, foreign firms from the same country follow a similar process when adapting to a local market (Kostova, 1999; Liker, Fruin, & Adler, 1999). Consequently, these types of knowledge should be easier for firms from the same country to share and imitate than they are for firms from different countries (Chang & Park, 2005; Tan & Meyer, 2011). By sharing knowledge from compatriot firms, new entrants can reduce the uncertainty of dealing with local partners and can improve their firms' absorptive capacity in regard to local knowledge (Tan & Meyer, 2011). In contrast, knowledge from local or other countries' competitors may be more difficult to transfer because some of them may have an ethnocentric culture (Chang & Park, 2005). In those cases, even though the firms achieve knowledge from other countries, it is hard to apply that knowledge because of their different backgrounds and business practices (Shaver, Mitchell, & Yeung, 1997). From that perspective, co-location according to the same country of origin will help foreign hotel entrants to build strong trust relationships with their compatriots in an unfamiliar market and will aid them in acquiring the benefits from sharing local knowledge. Thus, a same-country-of-origin agglomeration will significantly attract foreign hotel entrants and encourage them to choose a particular location. In accord with the effects of the same country of origin, the following hypothesis is suggested:

Hypothesis 1: Foreign hotel entrants will be likely to co-locate in clusters that have a high proportion of hotels from their same country.

2.1.2 Higher-differentiation Agglomeration Effects

Agglomeration studies on hotels have mainly focused on demand-side externalities, because the presence of customers (i.e., tourists) is a significant factor for hotels when they choose their location. This type of externality generates in customers the likelihood that they will visit and purchase in locations (e.g., shopping malls), where several options are available from various firms (e.g., clothing stores) in order to reduce their searching costs (Marshall, 1920; Pandit & Cook, 2003). In particular, the agglomeration effects from heightened demand are strongly advocated by researchers in service sectors, such as retailers and hotels, and restaurants, where their products and services are highly differentiated and require a visual inspection by consumers (Canina et al., 2005; Fischer & Harrington, 1996; McCann & Folta, 2008; Stahl, 1982).

Moreover, hotel scholars have found that the demand-based effects of agglomeration are related to service differentiation (Canina et al., 2005; Enz et al., 2008; Kalnins & Chung, 2004; S. K. Lee & Jang, 2015). In the hotel industry, service attributes are a source of differentiation, and that differentiation is well structured by the price and quality of the services the hotels provide (H. Ingram, 1996; Mazzeo, 2002; Rushmore & Baum, 2001). For example, a luxury hotel differentiates its quality by providing capital and labor-intensive services, such as expensive bedding, an architecturally attractive lobby, large rooms, high-tech entertainment, and extensive meeting facilities, and thus it charges high room rates (Canina et al., 2005). Furthermore, the relatively higher-end hotels have better reputations through their higher investments in promotion and advertisement, and thus they pull more tourists into an area (Canina et al., 2005; Chung & Kalnins, 2001; Tsang & Yip, 2009). Because of these features, higher-quality service hotels, such as luxury and upper-upscale hotels, create benefits from their high-level differentiations and provide those benefits to other hotels in the same cluster. Using U.S. hotels, several studies have found that new hotels have an increased likelihood of entering (Kalnins & Chung, 2004) and earning high revenues in a market in which high-quality-brand hotels are clustered (Canina et al., 2005; Kalnins, 2006). Thus, a foreign hotel entrant with less awareness of the local market can achieve spillover effects from the strong presence of higher-end hotels in a location.

A higher-differentiation agglomeration with a knowledge-based view explains how foreign hotel entrants can attain agglomeration benefits. From a knowledge-based perspective, higher-quality hotels possess more resources and knowledge of their local market, in addition to the tangible elements (e.g., facilities) mentioned above. To provide their high-quality services and differentiate those services from those of their competitors, luxury hotels have developed high-performance human-resource practices, such as maintaining highly skilled employees and encouraging their employees to be customer-oriented (Maroudas, Kyriakidou, & Vacharis, 2008; Sun, Aryee, & Law, 2007). In such high-quality hotels, the employees must have a broad knowledge of customer types in order to deal with customers' complex and varying needs, and

they must know how to use that knowledge to offer customized services (Batt, 2002; Sun et al., 2007). From that perspective, the hotels acquire critical resources and tacit knowledge from their highly skilled employees, and that knowledge helps these hotels to establish a sustainable competitive advantage and higher performance in the markets (Alon, Ni, & Wang, 2012; Chen & Dimou, 2005; Dev et al., 2007; Rhou & Koh, 2014). The knowledge base in luxury and upscale hotels can spread within a cluster, and hotels nearby may enjoy positive knowledge spillover. Thus, foreign entrants of lower-level service hotels can attain benefits by learning from co-located higher-end hotels that have better tacit knowledge and human-resource practices. Based on these arguments, the following hypothesis was developed:

Hypothesis 2: Foreign hotel entrants will likely co-locate in clusters that have a high proportion of hotels providing high-quality services.

2.2 Entry Modes and Knowledge Transfer in Emerging Markets

When a company expands into a foreign market, one important decision that it must make is the choice of entry modes. Because of the high degree of customer-supplier interactions (Pla-Barber, León-Darder, & Villar, 2011) and the simultaneity between production and consumption (Erramilli, 1991; Erramilli & Rao, 1993), hotel firms must open their properties to offer their core hospitality services in a foreign market (Quer, Claver, & Andreu, 2007). Due to the high risks of capital investment in real estate (Alon et al., 2012; S. Lee, 2008), the hotel industry has been increasing its international alliances with local investors to share the risks. Over the past two decades, hotel firms have heavily relied on non-equity modes when they entered foreign markets (Alon et al., 2012; Contractor & Kundu, 1998; Dev, Erramilli, & Agarwal, 2002). Thus, this study focuses on two contract-based and asset-light entry modes[1]: management contracts and franchising[2].

According to studies on international expansion, a firm's entry modes are determined by the congruence between its resources and those of the local market. More specifically, an international hotel should know how to use the resources in local markets to transfer its resources (i.e., knowledge) and develop a competitive advantage (Dev et al., 2007). At the same time, the local markets should have enough resources and capabilities, such as a sufficient number of infrastructure and tourist attractions, qualified local investors, and laborers, to support foreign hotel entrants' operations and implement their strategies (Assaf et al., 2015). For example, the franchise mode is preferred in developed countries, which have a greater availability of

[1] The leasing is also related non-equity mode but not asset light (Kruesi, Hemmington, & Kim, 2018) and less-popular mode for international expansion, thus it is not considered in this study.

[2] Management contracts and franchising are different in terms of the control over the hotel operation (Brown, Dev, & Zhou, 2003; Chen & Dimou, 2005; Ramón Rodríguez, 2002). In management contracts, hotel chains operate properties directly (e.g., hiring management team) and apply their standards and procedures, so their degree of control is high in management contracts. Under franchise agreements, the franchisee obtains the right to use a hotel chain's intangible assets (i.e., a franchise package) and to operate its hotels in compliance with the franchisor's standard operating procedures. Thus, the local partners (i.e., franchisees) are relatively more involved in operations and the hotel firms have lower control over franchised properties (Chen & Dimou, 2005; Dev et al., 2007).

professional managers and legal systems to protect franchisors and franchisees (Chen & Dimou, 2005; Dev et al., 2002).

However, market conditions in developing countries require international hotels to possess additional, unique resources and knowledge. Compared with the hotels' domestic markets, which are highly saturated, the markets in developing countries have fewer resources to support a hotel's operations (e.g., technology infrastructure structure, reliable potential business partners, and highly skilled laborers). If hotel firms enter developing countries where the market has relatively less capability to absorb their tacit knowledge, they tend to choose an entry mode with high control, such as a management contract, to reduce their risk (Dev et al., 2007). For instance, in China, management contracts predominated over franchising until the late 1990s because Chinese hoteliers lacked an understanding about franchising and did not have enough expertise in operating hotels (Pine, Qiu Zhang, & Qi, 2000; Xiao, O'Neill, & Wang, 2008). Notably, hotel chains entering emerging markets via franchising have relatively higher risks than they would with management contracts, because they must know their franchisees' current and future traits and capabilities in different countries and they need to match the success of the franchise with the firm's expectations (Altinay, 2007). Additionally, franchises in emerging markets are more vulnerable to local partners' opportunism (Dev et al., 2007; Gu, Ryan, & Yu, 2012) and require higher monitoring costs for international franchisees than for domestic franchisees (Elango, 2007).

Thus, foreign hotel entrants in emerging markets that enter with lower degrees of control (i.e., via franchising) will require more knowledge and resources than those with higher degrees of control (i.e., management contracts). Under a management contract, foreign hotel entrants will transfer their knowledge within their hotel firms (i.e., from the firm to managers who are assigned to work at foreign properties), so they will rely less on local knowledge. Considering ownership structure, hotels under franchises require more involvement from local partners, and thus such hotel firms need different types of knowledge with which to build trust and establish partnerships (Altinay, 2007). In such cases, knowledge from same-country-of-origin hotels is more useful and necessary for hotel entrants than knowledge from hotels from other countries is, because they need to transform routines to fit the host context and learn how to respond effectively to their local partners (Cuervo-Cazurra, Maloney, & Manrakhan, 2007; Tan & Meyer, 2011). In addition, if some locations have many companies from a particular country, the local communities adapt and develop on the basis of that country, such as learning its culture and language (Chang & Park, 2005). In such a local community, international hotels can find more reliable local franchisees who are aware of their brands and understand their cultural and business practices. To achieve those advantages, the foreign entrants that use franchising would prefer to be located with highly concentrated compatriot hotels. From the argument from above, we propose the following hypothesis:

Hypothesis 3: Foreign hotel entrants that enter via a less-controlled mode will be more likely to co-locate with other hotels of their same country of origin.

3. Methodology

3.1 Methods

This study applied a conditional fixed-effects logistic regression, following previous literature on locational choices of foreign firms (Chang & Park, 2005; Head, Ries, & Swenson, 1999; Head et al., 1995; McFadden, 1974; Shaver & Flyer, 2000; Tan & Meyer, 2011). This model allowed us to estimate how the changes in location characteristics increase or decrease the probability that a foreign hotel will enter in a certain location.

This study assumed that foreign hotels select their location where they expect to achieve the highest profits. The expected profits to a foreign hotel *i* entering in a location *j* (Π_{ij}) can be represented as

$$\Pi_{ij} = \beta X_{ij} + \varepsilon_{ij},$$

where X_{ij} is a vector of observed location characteristics for foreign hotel *i* in location *j*. It includes the variables of theoretical interests (i.e., same-country-of-origin and higher-differentiation agglomerations) and control variables that may affect location choice. The term ε_{ij} is an entering-location specific random disturbance. The probability of foreign hotel *i* choosing location *j* can be represented by the logit equation:

$$P_{ij} = \frac{\exp(\beta X_{ij})}{\sum_{k=1}^{J} \exp(\beta X_{ij})},$$

where *J* is the set of location choices for hotel *i*. This function can be estimated by using maximum likelihood techniques (McFadden, 1974). The coefficient β can be used to test whether various locational characteristics can significantly affect to location choice of hotel *i* (Greene, 2003). If the coefficient for a certain locational variable is positive and significant, it shows that hotel *i* is more likely to select a specific location if this locational variable increases. For example, a positive and significant value for a same-country-of-origin agglomeration indicates that the probability of a hotel choosing a particular location increases with the increase in the number of foreign hotels from the same origin that occupy that location. A negative significant estimate of a variable indicates that a new hotel avoids choosing a specific location with a greater value of that variable. Thus, the sign and significance of coefficients shows whether same-country-of-origin and higher-differentiation agglomerations affect the locational choice of a new hotel. Because the conditional logistic regression is a nonlinear model, the coefficient β cannot be interpreted as the margin effects of OLS regression. The margin effects are $P_j(1\text{-}P_j)\beta$. As is suggested in the literature (Hoetker, 2007; Shaver & Flyer, 2000), this study calculated the marginal effect for each estimate at the mean level of the independent variables.

3.2. Sample and data source

This study selected international hotel brands that have established their properties in China, which was selected to test the hypotheses because it is an emerging market. According to the IBIS World report (2018), China's hotel industry has grown rapidly in recent years, with a

growth rate of 8.4% in revenue from 2013 to 2018. In particular, international hotel management companies have significantly influenced hotel development in China by introducing their brand management and high service standards (IBISWorld, 2018). In that context, this study chose 100 international hotel brands (e.g., Courtyard, Grand Hyatt, Kempinski, Sofitel, and W hotels) that entered China between 2014 and 2017. These international brand entrants in China were from 12 countries: Canada, France, Germany, Japan, Mauritius, Singapore, Spain, Switzerland, Taiwan, Thailand, the United Kingdom, and the United States. All hotel pipeline data, including the service scale, was provided by Smith Travel Research (STR).

Because the theoretical arguments of this study were to find the differential spillover effects within the hotel clusters, the geographic unit of analysis needed to be appropriately designed. Following the agglomeration literature in the hotel industry (Canina et al., 2005; Enz et al., 2008), the study used the unit of "submarket" that is categorized by STR. According to STR's definition, a submarket is a geographic area that is a further division of the "market[3]." A submarket is a smaller location than the metropolitan statistical area (MSA), and it provides "a more refined geographic unit for studying agglomeration … better reflect[ing] the realistic options available to a consumer who desires to visit a particular location" (Canina et al., 2005, p. 571). Thus, this study used submarkets for the analysis and will refer to them as "clusters" for consistency.

3.3. Measures

This study tested two sources of knowledge transfer from hotels from the same country of origin (a same-country-of-origin agglomeration) and from hotels that provided a higher level of services (a higher-differentiation agglomeration). Following previous agglomeration studies (Canina et al., 2005; Enz et al., 2008; Shaver & Flyer, 2000), all agglomeration variables were measured as the proportions that were based on the total number of hotel properties in a given cluster. The same-country-of-origin agglomeration was measured by the proportion of hotel properties that were from the same country in a given cluster (Tan & Meyer, 2011). For example, if a newly opened hotel was affiliated with a US-based hotel brand, all other US-based hotels in a given cluster were counted for the same-country agglomeration. The higher-differentiation agglomeration was proxied by the proportion of the hotel properties in a given cluster that were pursuing a higher quality of service than a foreign hotel brand entrant (Canina et al., 2005). As was suggested by STR, the hotels were categorized in terms of six quality levels: luxury, upper-upscale, upscale, upper-midscale, midscale, and economy. If a new hotel was an upper-upscale hotel, the number of hotels that provided luxury service in a given cluster was counted for the higher-differentiation agglomeration. Hotels that were from the same country of origin and also provided a higher service quality (i.e., from both same-country and higher-differentiation agglomerations) were removed from two main variables, to control the mutual effects from both

[3] A market is typically defined by an MSA (e.g., Atlanta, GA) or in the US by a postal code. For the other countries, in this case China, a market is defined by a geographic area which consists of at least 30 hotels. All geographical definitions (market, submarket) are retrieved from STR's glossary (https://www.strglobal.com/resources/glossary).

variables. This would disentangle the effects of the two different types of agglomeration and allow a comparison of their relative impacts on location choice. Eventually, to avoid multicollinearity, the interaction term was excluded from the final model[4].

Depending on the level of available resources in the markets, a foreign hotel entrant strategically selects its entry mode. To find the agglomeration effects on the basis of entry modes, this study categorized the sample by using the STR's operation codes (chain management, franchise management, and independent) and measured them as dummy variables. If the new hotel was operated and branded under the name of a foreign hotel chain, it was coded as chain management with a value of 1. If the owner or third party operated the new hotel and paid the franchise fee to the foreign brands, it was coded as franchise management with a value of 1. Existing hotels that had affiliated with international hotel brands but re-opened as independent hotels were also included in the sample. Those hotels were coded as independent management and took the value of 1.

Based on the international and agglomeration theories, several variables were included in the model to control for unspecified locational or brand factors that could affect the hotels' location choices. Prior experience of a hotel brand was included as a dummy variable with a value 1 if the properties of an international hotel brand existed in a specific cluster. Previous foreign hotels would learn and accumulate the local knowledge (Johanson & Vahlne, 1977), and their previous knowledge could be accessed by a new property to reduce its learning time and costs more effectively (Gao & Pan, 2010).

Other types of agglomeration effects (i.e., other foreign hotel activities and local hotel activities) were also included as control variables. International hotels are more attracted by a location that has high flexibility and low restrictions on foreign companies (Assaf et al., 2015). As a part of foreign companies, the same-country-of-origin hotels would also gain the benefits from flexible government policies. From that perspective, other foreign hotel activities should be considered, because this study assumed that same-country-of-origin agglomeration effects would be influential even after accounting for an openness to foreign investors. In other words, this variable would capture unspecified factors that would attract foreign hotels to locate in a specific cluster. Other foreign hotel activities were measured as the number of foreign hotel properties divided by the number of total hotels in a particular cluster that were not from the same country of origin. Moreover, the local competition also provided important regional factors that could influence hotel differentiation (Becerra, Santaló, & Silva, 2013) and performance (Yang & Cai, 2016). This control variable would allow us to not only control the effect of local competition but also compare the spillover effects from local hotels with other types of agglomeration effects. This variable was measured by the number of domestic (Chinese) hotels divided by the number of total hotels in a given cluster.

Finally, the location dummy variables at the market level were included in the models to capture time-invariant locational differences that might affect a hotel's location choice. Time dummy

[4] Several tests for the conditional logit regression were conducted to decide the final model. The results of the tests support the model with no specification error and no multicollinearity.

variables[5] that were based on the year were also included to control time-variant characteristics. Both location and time dummy variables were included in the models, following previous agglomeration studies (Chung & Song, 2004; Head et al., 1995; Shaver & Flyer, 2000; Tan & Meyer, 2011).

4. Results

Table 1 shows the descriptive statistics and correlation matrix for the variables, except for the locational and time control variables.

(Insert Table 1 here)

According to the mean of local hotel activities, the existing supplies within clusters in China comprised more local hotel brands than foreign brands. This is consistent with the findings of the IBIS World report (2018), which found that domestic hotel management companies, such as Shanghai Jinjiang International Hotels and Shangri-La Hotels and Resorts, held the largest market shares in China's hotel industry. In contrast to the popularity of franchising in the United States, chain management has become the dominant entry mode (71%) for international hotel brands in China, with encouragement from the Chinese government (Huang & Chathoth, 2011; Pine, 2002; Xiao et al., 2008). The franchising mode (at 19%) was less favored by international hotels because of China's high cultural and legal barriers (Heung, Zhang, & Jiang, 2008), lack of franchising concepts (Xiao et al., 2008), and inability of local franchisees to comply with brand standards (Huang & Chathoth, 2011).

(Insert Table 2 here)

Table 2 presents the results of the conditional logit regressions. A positive and significant coefficient indicates that a particular type of agglomeration was effective for increasing the probability of location choice. The magnitude of the agglomeration effect was captured through the marginal effect. At the mean level of all independent variables, increasing the proportion by 1 percent of a particular type of agglomeration increased the probability of location choice.

As Table 2 shows, the different types of agglomeration variables were added incrementally. Model 1 indicated that the locational dummies and time trends were collectively significant. Model 2 included other control variables: local hotels activities, other foreign hotels activities, prior experience, and three different types of entry modes.

Model 3 added the same-country-of-origin agglomeration, Model 4 added the higher-differentiation agglomeration, and Model 5 included both agglomeration variables. Both of the estimated coefficients of the same-country-of-origin agglomeration in Model 3 and Model 5 were positive and significant at the 0.01 level, indicating that the foreign hotels in China were more likely to locate in clusters with a greater level of same-country-of-origin agglomerations (thus supporting Hypothesis 1). In contrast, the coefficients of the higher-differentiation

[5] If the hotel brand didn't enter in a given cluster at a given year, the brand's time dummy variables were removed from the sample.

agglomeration were negative and significant in Model 4, but insignificant in Model 5. This suggests that foreign hotel entrants in China would not gain the spillover effect from the hotels that provided a higher level of services (thus rejecting Hypothesis 2). As reflected by marginal effects, the same-country-of-origin agglomeration (0.216) was more significantly influential to location choice than the other significant variables were, including those for local hotel activities (0.171) and other foreign hotel activities (0.169).

(Insert Table 3 here)

In Table 3, the different types of agglomeration effects were examined across all types of entry modes. Model 6 enabled comparisons of different agglomeration effect variables across different subgroups. As was suggested in Hypothesis 3, this study assumed that the level of agglomeration effects might vary with the entry modes of hotels. To investigate that possibility, the sample was separated into three different types of entry modes (chain management, franchise management, and independent) and the model was run separately for each of them. Table 3 presents the results of each group.

The findings from Models 7 and 8 were related to hotels that were affiliated with foreign hotel brands and had opened as new hotels. Model 7 showed the results for hotels that were newly opened and directly operated by international brands. Consistent with the results of overall models, the estimated coefficients of the same-country-of-origin agglomeration were positive and significant ($p<0.05$). The coefficient for the higher-differentiation agglomeration was not significant, whereas the coefficients for local hotel activities and for other foreign hotel activities were positive and significant ($p<0.01$). From both the same-country-of-origin agglomeration and other foreign hotel activities, the chain-managed hotels were likely to enter a location with higher numbers of overall foreign hotel activities. Interestingly, the magnitude of the local hotel activities' effect on location choice (0.172) was larger than that from of other significant factors (0.148, 0.123), indicating that the hotels that were highly managed and controlled by foreign brands were more likely to be located near domestic hotels.

Model 9 provided the results of new hotels that were under franchise management with international hotel brands. These hotels were newly opened but operated by local franchisees who paid franchise fees or royalties for the use of the international hotel brands. The coefficient for the same-country-of-origin agglomeration was positive and significant ($p<0.01$), but that of other foreign hotel activities was insignificant. In contrast to a chain-management model, foreign franchised hotels were more likely to locate with hotels from the same country rather than with other foreign hotels. The coefficient for local hotel activities also was positive and significant ($p<0.01$), indicating that the foreign franchised hotels increased their entries in the locations where the proportion of local hotels was greater. As was captured by the marginal effects, the magnitude of the same-country agglomeration (0.858) was larger than that of other factors. For the hotels that were less managed and controlled by foreign brands, the same-country-of-origin agglomeration was more important to increasing their entries. The results from Models 7 and 8 support Hypothesis 3.

Model 9 showed the results for the hotels that were previously affiliated as foreign brands but that had reopened with ownership changes. Unlike the sample from Models 7 and 8, they were new but existing hotels that were not controlled or managed by the foreign brands. Thus, Model 9 suggests different findings for the choice of "independent." In other words, the results were more relevant to the choice of local hotel owners that were independent of the foreign brand affiliation. More specifically, it suggests what kinds of agglomeration were needed for hotels to increase their chance of survival and to motivate hotel owners to terminate their contract with international brands. Compared with other models, Model 9 had more positive and significant coefficients ($p<0.01$), such as the same-country-of-origin agglomeration, local hotel activities, other foreign activities, and prior experiences. This result indicates that those hotels were likely to be independent or end their contract with foreign brands when they could achieve various spillover effects from different types of hotels in their location, along with the benefits from their own experience.

(Insert Table 4 here)

To demonstrate the robustness of our results, this study followed the approach of Chang and Park (2005), which also examined the foreign firms' location decisions and agglomeration effects in China. The conditional logistics regression assumes that the probability of choosing alternatives should be independent from the availability of other alternatives (Hausman & McFadden, 1984; McFadden, 1974). To check the independence from irrelevant alternatives, different subsamples were used. Using the same specifications as in Models 5 and 6, Models 10 and 11 in Table 4 show the results of the location choice of foreign hotel brands if Beijing was excluded from their choice set. As one of the major cities in China, Beijing was the most-frequently selected market by international hotels. Thus, the clusters in Beijing were dropped from the choice set to examine whether the same-country-of-origin or higher-differentiation agglomeration effects disappeared or appeared, and the results of both types of agglomeration effects were sustained even after excluding Beijing. This study also dropped the clusters of the other two markets, Hong Kong and Macau, which were the markets chosen least often by international hotels during 2014-2017. The results of excluding Hong Kong and Macau from the choice set are reported in Models 12 and 13 in Table 4, and are consistent with those in Models 10 and 11.

This study also tested whether multiple entries by the same hotel brands affected their location choice. Unlike with other types of regressions, the conditional logistics model does not allow that question to be included as a control variable and analyzed, because the number of multiple entries was not varied across alternatives. Thus, this study was divided into two subgroups: (1) hotel brands that entered once in a given cluster, and (2) hotel brands that entered the same cluster more than once in the same year. The results from both subgroups were very similar to those reported in Models 10 and 11, which had positive and significant same-country-of-origin agglomeration effects on the location choice and insignificant higher-differentiation agglomeration effects on location choice.

6. Discussion and Conclusions

The purpose of this study was to explore the location choices of international hotel brands in emerging markets. Using cluster-based data from China's hotel industry, the study proves that international hotels strategically choose locations based on the transferability of local knowledge. Based on knowledge-based view, the findings suggest that hotels must seek local knowledge to survive in emerging markets and that they can access local knowledge from co-located hotels. In particular, foreign hotel entrants would locate near to hotels from their same country of origin, in order to access the local knowledge more effectively. The transfer of knowledge can be facilitated through the trust and personal relationships from compatriots using common culture and language. Thus, the country-of-origin agglomeration is influential for the foreign entrant hotels that especially lack local knowledge.

The theoretical arguments and findings suggest that the international expansion in emerging economies should be undertaken cautiously because the risks of such operations could be more volatile and higher than they would in developed economies. These markets have limited openly accessible resources compared with markets in developed countries (Lin, Liu, & Cheng, 2011), and their business environments are opaque and continuously changing (Tan & Meyer, 2011). These characteristics of emerging markets are expected to increase the liability of foreignness and require more interpersonal local knowledge for foreign hotel entrants. The difficulties in the emerging markets could make country-of-origin agglomeration relatively more attractive and reduce the benefits of higher differentiation for new foreign hotels.

As another source of local knowledge, the higher-differentiation agglomeration was also included. This study compared two agglomeration effects to examine how same-country-of-origin agglomeration effects differ from higher-differentiation agglomeration effects. However, higher-differentiation agglomerations showed an insignificant result, indicating that agglomerations of higher-quality hotels were not attractive for foreign hotel entrants to choose as a location. This finding refutes existing hotel studies that supported the positive effects of higher-differentiation agglomerations (Canina et al., 2005; Chung & Kalnins, 2001; Enz et al., 2008) and shows that the location choices of foreign hotel entrants cannot be purely explained from heightened demand-driven agglomeration. Generally, there are some limitations to direct explanations of the effects of higher-differentiation agglomerations in emerging markets. First, as highlighted by these studies, it is hard to claim that tourists are as attracted as customers in the retail industry are to visiting a destination in order to compare and purchase different types of hotels or to go sightseeing for other luxury hotels. In contrast to consumers in the retail industry (e.g., consumers who are attracted to a shopping mall with multiple clothing and shoe stores), tourists do not visit a destination with a variety of hotels as their main reason for visiting. Tourists' motivations for choosing their destination are instead related to the attractiveness of the destination (Yoon & Uysal, 2005), and that is related to the supply-driven advantages of agglomeration, such as shared transportation, entertainment options, and communication infrastructures (S. K. Lee & Jang, 2015). Thus, this study suggests that the hotels' agglomeration and their location choices should be understood not only from heightened demand but also from their production advantage, especially that of knowledge spillover.

Second, the existing hotel agglomeration studies related to higher differentiation are mainly based on hotel samples from the U.S. (Baum & Haveman, 1997; Canina et al., 2005; Chung & Kalnins, 2001; Kalnins & Chung, 2004; S. K. Lee & Jang, 2015), and those findings may be difficult to generalize to developing markets. To realize a higher-differentiation agglomeration, the clusters should be crowded and developed enough with diverse service levels of hotels (e.g., Manhatten) (Baum & Mezias, 1992). They should be crowded first with same-service-level hotels, in order to provide competitive room prices and have excess tourists to share the customers. To avoid undue price competition, hotels with different levels of service, including luxury hotels, eventually increase in the clusters at later stages of development. The results may indicate that the hotel markets in emerging economies have not matured enough for higher-quality-service hotels. In other words, the hotel markets of China may not be as crowded and developed as those in the U.S., so that new hotel entrants in China are still likely to locate near to hotels that offer similar room prices and to cooperate with them rather than to compete with each other. Foreign hotel entrants that may desire to gain higher-differentiation benefits in emerging markets perhaps should wait until the clusters are crowded enough both with tourists and a variety of hotels.

Finally, this study found that the impact of country-of-origin agglomerations on location choice was interdependent with the entry strategies of the international hotels. More specifically, it suggests that the impact of the same-country-of-origin agglomerations is more effective when involvement from hotel brands is low (e.g., low franchise management). Differing from chain-managed hotels, the franchise mode hotels are operated by local owners and less controlled by hotel chains. From the hotel chain perspective, they could achieve the general market knowledge from their local partners, but they would need additional knowledge for controlling and monitoring their franchise hotels. For example, if the local owners do not have enough experience or resources to follow the service standards of the franchise, the hotel brands would have to transform their service standards in the local business settings or train the local partners, to ensure their service quality. The ownership structure of franchise management could cause more operational and managerial conflicts between local owners and international chain hotels than the chain management structure would. From this perspective, the experiential knowledge from compatriot hotels would be more desirable for new franchised hotels because they would have a similar business structure and therefore would have similar processes of local adaptation (Tan & Meyer, 2011). Thus, the lack of control by local partners would increase the benefits of the same country of origin.

On the other hand, the marginal effects of the chain-management model show that new hotels that are directly managed by hotel chains are more likely to be located near to local hotels than to compatriot hotels. Although the foreign hotel entrants entering the market via chain management have access to local knowledge from compatriot hotels, their location choice is affected more by the local hotel activities. Unlike franchised hotels, the chain-managed hotels are directly operated by hotel chains, so to control their service quality they do not need the knowledge from compatriot hotels as much as franchised hotels do. However, they still need the market knowledge, such as local suppliers and customers, to reduce the liability of foreignness and increase their success in the new market. Thus, the chain-managed hotels need another channel,

such as local hotels, to access the local knowledge, and they also are more likely to seek a location where local hotels are highly active. From both the franchised and chain-managed models, this study shows that new foreign hotels may need different aspects of local knowledge, and that based on their entry modes and their location choices, they differ in the types of local knowledge they need.

Additionally, the independent-management mode of the model shows the results of newly opened hotels that have terminated their contracts with international hotel chains. Unlike with the other models, these hotels were not under the hotel chains (i.e., they had "exited the market" from the hotel chain perspective), so the results should be carefully interpreted. Under the first two types of contract (e.g., a management contract or a franchise contract), there is a mutually beneficial partnership between hotel chains and their local partners; hotel chains acquire local knowledge from local partners, and local partners learn the chain's know-how and develop its competitive advantage (Dev et al., 2007). However, after the end of their contract, the local partners may decide to become independent from the international hotel chains, in order to have more flexibility in their operations and take all of the profits for themselves. These types of hotels cannot select new locations because they were already opened previously by a international chain hotel, and they face a high risk because they take all of the responsibility. However, the local owners also have already achieved operational knowledge from previous partners (i.e., the hotel chains), and their business environment has changed and developed as well (e.g., with an increase in international branded hotels). Because of their previous partners and their location, the newly independent hotels may still rely on information sharing through the relationships and trust that the previous hotel chain had established. At the same time, to secure their survival and increase their competitive advantage, independent hotels are expected to have more diverse resources and knowledge. Considering the patterns of hotel development in emerging countries, independent hotels would have greater opportunities to access rich knowledge and resources than they did when they were chain hotels. Hotel development in emerging countries is usually either led or strongly supported by the local government to acquire knowledge and expertise from international hotels and to stimulate the development of the local hotel industry (Gross, Huang, & Ding, 2017; Rodtook & Altinay, 2013; Xiao et al., 2008). Although international hotel chains can become the victims of local opportunism (Dev et al., 2007), their local partners can enjoy these benefits that the international hotels have developed in the local economy.

Overall, the findings of this study have practical implications both for international hotels and for local governments in emerging economies. For international hotel brands that plan to open more hotels in emerging economies, this study highly recommends choosing locations where the compatriot hotels or investors are highly co-located. Furthermore, for local governments that wish to increase the development of the hotel industry, this study also recommends developing a location that has a concentration of hotels from a particular country (e.g., Wuxi-Singapore Industrial Park, China-Singapore Suzhou Industrial Park). That would encourage additional investment from that country, so that the locals can prepare and develop more-efficient alignments with the needs of the companies from that country. Such a co-location of compatriot hotels and companies would facilitate knowledge sharing and would build trust more easily.

Furthermore, as previous studies have stressed, knowledge transfer is important because it is a significant driver to increasing the competitiveness of destination (Cooper, 2006; Novelli et al., 2006; Shaw & Williams, 2009; Williams & Shaw, 2011). Thus, a co-location of foreign compatriot hotels should contribute to the spillover of knowledge to the local hotels and eventually should encourage the development of the industry.

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Table 1. Descriptive statistics

	Mean	S.D.	Min	Max	1	2	3	4	5	6	7	8
1. Same country of origin agglomeration	0.10	0.12	0	0.63	1							
2. Higher differentiation agglomeration	0.09	0.14	0	1	-0.20	1						
3. Local hotels activities	0.70	0.16	0.10	0.97	-0.38	-0.37	1					
4. Other foreign hotels activities	0.13	0.13	0	0.90	-0.30	-0.15	-0.45	1				
5. Prior experience	0.14	0.34	0	1	0.05	0.09	-0.02	-0.07	1			
6. Chain management	0.71	0.45	0	1	0.01	-0.35	0.00	0.26	-0.12	1		
7. Franchise management	0.19	0.39	0	1	0.02	0.35	0.00	-0.29	0.16	-0.74	1	
8. Independent	0.18	0.38	0	1	-0.06	0.27	0.01	-0.17	0.17	-0.69	0.26	1

N = 25,389

Table 2. Conditional logit regression results of location choice

	(1)	(2)	(3)	(4)	(5)
Same country of origin agglomeration			5.490*** (0.689) 0.163		5.111*** (0.819) 0.216
Higher differentiation agglomeration				-2.882*** (0.573) -0.664	-0.568 (0.665) -0.024
Local hotels activities		1.382*** (0.414) 0.337	4.402*** (0.593) 0.130	0.520 (0.448) 0.120	4.034*** (0.732) 0.171
Other foreign hotels activities		1.301** (0.569) 0.317	4.364*** (0.707) 0.129	0.476 (0.588) 0.110	3.994*** (0.827) 0.169
Prior experience		0.662*** (0.099) 0.161	0.499*** (0.102) 0.015	0.592*** (0.100) 0.136	0.496*** (0.102) 0.021
Chain management		0.067 (0.179) 0.016	0.062 (0.181) 0.002	0.056 (0.181) 0.013	0.060 (0.181) 0.003
Franchise management		-0.144 (0.296) -0.035	-0.166 (0.298) -0.005	-0.156 (0.297) -0.036	-0.167 (0.298) -0.007
Independent		0.311* (0.173) 0.076	0.316* (0.174) 0.009	0.306* (0.174) 0.070	0.314* (0.174 0.013
Locational dummy variables	Included	Included	Included	Included	Included
Time trends	Included	Included	Included	Included	Included
Chi-square	239.23***	298.11***	364.37***	325.13***	365.11***
McFadden R^2	0.042	0.052	0.064	0.057	0.064
Log likelihood	-2722.98	-2693.54	-2660.41	-2680.03	-2660.04
Likelihood ratio test:					
Model vs model Difference in log-likelihood Chi-square		(2) vs (1) 29.44 58.88***	(3) vs (2) 33.13 66.26***	(4) vs (2) 13.51 27.02***	(5) vs (3) 0.37 0.73***

N = 25,389; Number of entry = 858.
Numbers in each cells are coefficient, standard deviation, and marginal effect respectively.
*p<0.1; **p<0.05; ***p<0.01

Table 3. Comparison based on entry modes

	(6)	(7)	(8)	(9)
	Overall	Chain management	Franchise management	Independent
Same country of origin agglomeration	5.088*** (0 .818) 0.234	3.315** (1.310) 0.148	8.270*** (1.306) 0.858	7.735*** (1.377) 0.243
Higher differentiation agglomeration	-0.575 (0.665) -0.026	-0.460 (1.132) -0.021	0.251 (0.948) 0.026	0.157 (0.947) 0.005
Local hotels activities	4.020*** (0.731) 0.185	3.846*** (1.190) 0.172	4.206*** (1.057) 0.437	5.345*** (1.124) 0.168
Other foreign hotels activities	3.987*** (0.827) 0.183	2.750** (1.285) 0.123	3.655 (2.265) 0.379	6.656*** (1.382) 0.209
Prior experience	0.497*** (0.102) 0.022	0.063 (0.155) 0.003	0.895 (0.175) 0.093	0.673*** (0.171) 0.021
Locational dummy variables	Included	Included	Included	Included
Time trends	Included	Included	Included	Included
N	25,389	18,135	4,797	4,563
Number of entry	858	412	417	432
Chi-square	359.35 ***	127.36***	329.07***	291.31***
McFadden R^2	0.063	0.040	0.171	0.150
Log likelihood	-2662.92	-1513.82	-796.11	-826.01

Numbers in each cells are coefficient, standard deviation, and marginal effect respectively.
*p<0.1; **p<0.05; ***p<0.01

Table 4. Results of robustness tests

	Excluding Beijing		Excluding Hong Kong & Macau	
	(10)	(11)	(12)	(13)
Same country of origin agglomeration	5.531*** (0.839)	5.511*** (0 .839)	4.931*** (0.875)	4.905*** (0.874)
Higher differentiation agglomeration	-0.222 (0.668)	-0.227 (0.668)	-0.745 (0.726)	-0.753 (0.726)
Local hotels activities	4.466*** (0.750)	4.454*** (0.750)	3.928*** (0.789)	3.612*** (0.788)
Other foreign hotels activities	4.452*** (0.845)	4.442*** (0.845)	3.966*** (0.895)	3.955*** (0.895)
Prior experience	0.464*** (0.104)	0.465*** (0.104)	0.484*** (0.103)	0.485*** (0.103)
Chain management	0.031 (0.187)		0.044 (0.183)	
Franchise management	-0.158 (0.301)		-0.158 (0.298)	
Independent	0.274 (0.177)		0.314* (0.175)	
Locational dummy variables	Included	Included	Included	Included
Time trends	Included	Included	Included	Included
N	22,790	22,790	24,087	24,087
Chi-square	340.67***	336.11 ***	301.95***	296.13***
McFadden R^2	0.063	0.062	0.055	0.054
Log likelihood	-2522.55	-2524.84	-2597.28	-2600.19

Numbers in each cells are coefficient and standard deviation respectively.
*p<0.1; **p<0.05; ***p<0.01