

Hotel and Motel – Lodging Industry



SIC CODES:

7011

NAICS CODES:

72111

Industry Overview

The hotel and motel industry in United States consists of more than 30,000 companies and accounts to an annual sales of more than \$90 billion. A typical, well-established hotel has 100+ employees and generates revenue of about around \$7 million. The top 50 hotels have control over 46% of the industry. The major hotels are Marriott International, Hilton Hotels, Carlson Hotels, and Starwood Hotels & Resorts.

Products, Operations & Technology

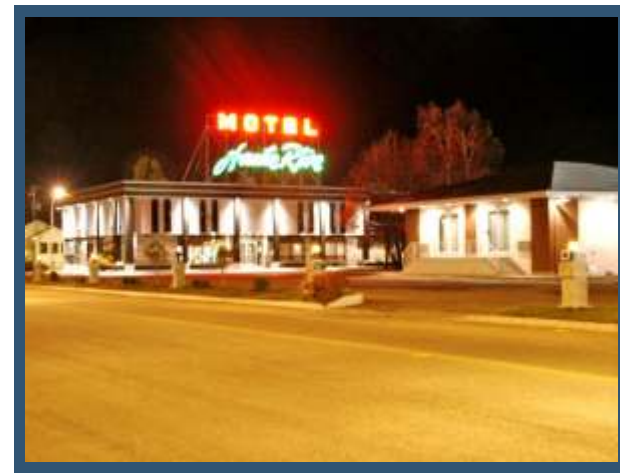
The industry generates revenue through room fees and sales of food and beverages and merchandise. Approximately 70% of industry revenue is generated from room fees, 15% and 5% from sales of food and alcohol, respectively. Most hotel companies either own and operate the hotels or simply operate others' hotels. Companies also give their hotels on lease or go for joint venture by sharing responsibilities.

Key industry metrics apart from retail sales include occupancy rates, average room prices, and revenue per available room (RevPAR).

Today, online marketing has a great impact on the hotel industry. Hotel owners have their own websites through which they promote their services and offers. Internet has helped them to reach their prospects faster and in a simpler way.

Regional and International Issues

California, Florida, and Texas are the biggest hub of hotels. Most of the large hotels have chains worldwide. The top US states generating revenue through hotel industry are Nevada and California.



Recent Developments

- The US hotel rooms increased in numbers
- Chain of hotels bought wind-generated power
- LEED Standards was developed for hotels

Business Challenges

1. Heavily dependent on consumer income/national economic growth: The growth of hotel industry is directly dependent on national growth. Better the growth, more are the tourists. Similarly, better growth also indicates growth in personal income, and corporate revenue which in turn generates more demand for hotels and events. Recent research says the recent economic slowdown has resulted in job cuts in the hotel industry 3 times more than past few years and the profit percentage fell to 19-20%.
2. Safety is the major concern: Safety has become the top priority for the hotel visitors and to ensure complete safety hotel owners are spending hefty amounts. Also, the brand image is at stake if anything goes wrong. A single lawsuit on theft or assaults can ruin a company in all the fronts.
3. Online reservation systems giving tough competition: With hotel industry going online, the introduction of online reservation system is giving tough competition to the offline hotel chains.

4. Refurbishing demands lots of investment: Hotel industry is one which requires regular refurbishing and maintenance and this demands huge investment. If a one-time reputed hotel fails to keep up its quality, immediate effect can be seen in the number of visitors.
5. Surge of new hotels is limiting price rise: The mushrooming of new hotels has forced the existing hotels to keep their price stagnant or reduce. Research says the fast growth in hotel construction has dipped industry occupancy rate from 65% to 60%.
6. Unpredictable rise in energy prices: The sudden rise in energy price is one of the challenge hotel industry is facing. Every hotel small or big has to spend considerable amount of money for hot water, heat energy, electricity, etc.

Industry Trends

Stepping towards “Go Green”

With customer's showing concern on health and hygiene, hotel owners too are stepping towards “Go Green.” Hotels have appointed experts to guide them towards environment friendly methods and techniques. Constant surveys conducted by authorized bodies also encourage them to go green as it enhances their brand name as well. With small efforts towards saving environment, hotel industry is saving lots of operating costs.

More effort towards gauging corporate visitors

To make the visit more worthwhile for the corporate visitors, hotels are working towards providing packages including facilities like corporate food and catering service, technical support during meetings, printing and copying, rewards and recognition programs etc. Extended-stay facility is also gaining popularity among the corporate travelers.

Extended-stay facility

Hotels also are providing extended-stay facility. This is popular among the visitors who stay for 4+ days. In fact extended-stay facility hotels are more in demand than the hotels with no such facility. This trend is catching fast because of less guests checking in and high operating costs. Hotels with this facility charge far less than the normal traditional hotels.

Acquisition and consolidation is common

Acquiring hotels is a common practice for REITs. The hotels that are acquired often are the affiliated or the independent ones. Research shows there is a steep fall in the number of independent hotels. The hotels acquired either are private and are to be operated as public or vice versa.

Trend of designer hotels

Designing trendy hotels has also caught the attention as people prefer to stay more luxuriously. The design and innovation takes hotel owners ahead of their competition and also gain more customers.

New Opportunities

Collecting market information through loyalty programs: Loyalty programs give opportunity to hotel companies to gather more information about their regular customers which help them to understand their target's interests and expectations. Similarly, rewarding employees for bringing and enrolling more visitors boosts employees to perform better by bringing more visitors in future.

Smart Key Cards - Hotels typically use electronic locks with magnetic stripes, but use of smart card systems is growing. Although more expensive to buy than mag-stripe (up to 30 cents a card), smart cards (up to \$10 a card) increase guest spending and loyalty by storing preferences, like room temperature and radio stations. Smart cards can also generate more revenue when used for in-hotel purchases, such as meals or gift items.

Customers with disabilities: Recent research highlights that travelers with disability are keen to travel frequently if hotels have special arrangements for them. Lack of facilities and untrained staff force the physically challenged people to travel less. Research also confirms that such travelers are ready to pay double than usual if they get the facilities they need.

CRM to keep business going and growing: Retaining old customers is much simpler and safer than acquiring the new one. Customer relationship management (CRM) software helps hotel marketers understand the existing customers choices and preferences in a much better way.

Resorts on long-term renting basis: Hotel industry marketers have realized that renting rooms on daily basis is not much beneficial than renting it for monthly basis. The maintenance and house keeping services are also provided. Such offers usually attract those visitors who prefer to pay a lump sum amount in one short for convenience and luxury.

Selling furnishing and antiques: In order to cut cost in refurbishing, hotels are keeping in auction or directly selling furnishing items and antiques. The hotel items on sale grab huge response from the local residents and guests and hotel owners make good money. This also spreads their brand name and gives popularity.

WEB LINKS AND ACRONYMS

American Hotel & Lodging Association

News, statistics, publications, newsletters.
<http://www.ahla.com/>

Cornell University School of Hotel Administration

Industry news, in-depth articles on hotel and restaurant management.
<http://www.hotelschool.cornell.edu/industry/>

Hospitality Net

Industry news, supplier news and list, events, links.
<http://www.hospitalitynet.org/>

Hospitality Trends

Industry, management, technology news; market research.
<http://www.htrends.com/>

Hotel & Motel Management

News, articles. List of top hotel companies.
<http://www.hmmonline.com/>

Hotel Interactive

News, articles.
<http://www.hotelinteractive.com/>

HVS/American Hospitality Management Company

Articles on hotel management.
<http://www.american-hospitality.com/>

Lodging Hospitality

Articles for hotel developers and operators.
<http://www.lhonline.com/>

Lodging Magazine

News, trends, statistics, publications.
<http://www.lodgingmagazine.com/>

Smith Travel Research

News searchable by state; industry glossary.
<http://www.str-online.com/>

GLOSSARY OF ACRONYMS

- AAA** - Automobile Association of America
- ADR** - Average daily rate
- AHMA** - American Hotel and Motel Association
- CRM** - Customer Relationship Management
- REIT** - Real estate investment trust RevPAR - revenue per available room