

# CHAPTER 4

## National Demand

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### 4.01 INTRODUCTION

The constantly changing demand for lodging in the United States is difficult to gauge because it requires the evaluation of a number of economic and societal trends. Some of the most significant factors that affect lodging demand are

- Changes in the value of the dollar.* Declines in the value of the dollar enable more foreign tourists to travel to the United States while restricting the travel of Americans abroad; increases in dollar value reverse this situation.
- Changes in automotive fuel prices.* An increase in fuel prices discourages people from traveling, while a decrease permits less expensive transportation, resulting in an increase in travel and lodging demand.
- More families with two wage-earners.* An increase in the last decade of families with two wage-earners has meant, for these families, an increase in disposable income that can be devoted to leisure travel.
- Advances in telecommunications.* Increasingly sophisticated technology has begun to allow meetings and conferences to take place with participants in many separate locations, thus causing a decline in business travel.
- Implementation of frequent flyer programs.* In recent years, airlines have established and maintained programs that encourage travel by awarding free or reduced-cost transportation.

## 4.02 NATIONAL DEMAND DATA

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The analysis of national trends affecting lodging demand depends in large part on pertinent data compiled by government and industry organizations. Data relating to lodging demand can be divided into four general categories:

1. Information regarding the actual use of transient accommodations.
2. Information regarding travel that may entail the use of transient accommodations.
3. Indicators of the general condition of the national economy and broad-based demographic trends that can have an indirect impact on the use of transient accommodations.
4. Information detailing specific characteristics of transient travel demand (e.g., primary reasons for leisure travel or selection of hotels).

Category 1 data provide the clearest indications of the current status of lodging demand because the data require little extrapolation or hypothesization. Categories 2 and 3 comprise information that does not directly reflect demand for transient accommodations, but from which useful inferences can be drawn nonetheless. Category 4 data concern elements of demand such as the most popular destinations for leisure travelers and preferences among the different market segments (i.e., commercial, meeting and convention, and leisure) regarding the types of amenities offered by lodging facilities. This sort of information does not indicate overall levels of demand, but rather characteristics of demand segments, and is useful for the proper planning, design, operation, and marketing of individual lodging facilities. Each of these categories of data is discussed in turn in the sections that follow.

## 4.03 USE OF TRANSIENT ACCOMMODATIONS

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The U.S. Travel Data Center is the primary source of Category 1 data, regarding the use of transient accommodations and the actual dollar receipts of lodging facilities.<sup>1</sup> Several government agencies, including the Bureau of the Census and the Bureau of Labor Statistics, also compile information regarding the use of transient accommodations in the course of preparing nationwide industrial statistics.

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<sup>1</sup> The U.S. Travel Data Center, established in 1973, is a national nonprofit center for travel research. Its primary purpose is to advance the common interests of the travel industry and the public by encouraging, sponsoring, and conducting statistical, economic, and scientific research concerning travel, the travel industry, and travel-related industries. In pursuit of this objective, the Data Center gathers, analyzes, publishes, and disseminates the results of its research and cooperates with government agencies, private industry, and academic institutions with similar goals. As a result, the Data Center has become the premier source for national travel research.

Members of the U.S. Travel Data Center keep abreast of the latest trends through fourteen reports published throughout the year and *Travel Printout*, the monthly travel research newsletter. Membership also provides discounts on custom research and other Data Center services. The U.S. Travel Data Center is an affiliate of the Travel Industry Association of America, the national, nonprofit association representing all components of the U.S. travel industry. For more information contact: Membership Department, U.S. Travel Data Center, Two Lafayette Centre, 1133 21st Street, NW, Washington, DC 20036.

**TABLE 4.1**  
**Distribution of the Overnight Travel Market by Mode of Accommodation** (in current thousands of dollars)

Source: U.S. Travel Data Center

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Commercial	410,663	345,987	529,920	502,571	401,964	404,800	441,816	482,245	524,084	529,975
Homes of friends and relatives	512,653	420,795	449,280	406,334	454,854	445,280	474,144	459,815	464,529	480,675
Other	177,584	168,318	172,800	160,395	200,982	161,920	161,640	179,440	202,487	221,850
Total	1,100,900	935,100	1,152,000	1,069,300	1,057,800	1,012,000	1,077,600	1,121,500	1,191,000	1,232,500

### [1] Trends in Distribution

The U.S. Travel Data Center conducts monthly travelers' surveys from which a wide range of statistics are developed, including the distribution of this overnight travel market by type of accommodation. Table 4.1 shows the distribution of the market among the three basic types of accommodations: commercial, homes of friends and relatives, and "other," which includes second homes, travel trailers, and so forth. The unit of measurement for this kind of data is the person-trip, which represents one person making one trip (e.g., a family of four traveling together would total four person-trips). Table 4.1 shows that between 1979 and 1988 the use of accommodations remained fairly level, but as a percentage of the total, commercial accommodations gained market share at the expense of homes of friends and relatives while the use of "other" accommodations remained level.

### [2] Industry Receipts

Another direct indicator of transient demand is the annual national total of lodging facility receipts, which are tallied by the U.S. Travel Data Center and several federal agencies. In order to accurately quantify the trends indicated by the annual changes in these receipts, the data are adjusted for inflation so that all dollar amounts are expressed in constant dollars as of a specific year. Tables 4.2 and 4.3 contain some of the most useful available data related to lodging receipts.

As shown in Table 4.2, between 1975 and 1988 lodging receipts increased in real terms at a compounded annual rate of 2.3 percent. Between 1980 and 1988, the growth slowed to a rate of 1.7 percent per year. These figures are reinforced by similar receipt information published by the U.S. Bureau of the Census, which is shown in Table 4.3. This table shows that between 1980 and 1987, the annual sales

**TABLE 4.2**  
**United States Travel Industry Receipts** (constant 1982 dollars—values given in billions)

Source: U.S. Travel Data Center

1975	1980	1985	1987	1988	Compounded annual % change 1975-1988	Compounded annual % change 1980-1988
28.4	33.3	34.5	37.2	38.2	2.3%	1.7%

**TABLE 4.3**  
**Estimated Annual Receipts for Hotels, Motels, and Tourist Courts** (in current millions of dollars)

Source: Stat Abstract 1989; Table 409, p. 237, U.S. Bureau of the Census

1980	1981	1982	1983	1984	1985	1986	1987	In constant 1987 dollars		Compounded annual % change 1980-1987
								1980	1987	
26,832	31,572	32,749	35,897	38,917	41,837	45,881	49,612	36,992	49,612	4.3

**TABLE 4.4**  
**Gross National Product by Industry** (in current billions of dollars)

Source: Stat Abstract 1988; Table 1322, U.S. Bureau of Labor Statistics

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Lodging facilities	6.3	6.8	7.6	8.4	9.0	10.1	11.5	12.7	15.4	17.4	18.9	20.4	21.7	24.3	27.0	30.4	32.7	35.8
Amusement and recreational facilities	4.8	5.1	5.5	6.4	6.9	7.7	8.6	9.8	10.4	11.5	12.4	14.0	15.1	16.8	17.8	19.9	21.8	24.0

  

	In constant 1987 dollars						Compounded annual percent change	
	1970	1975	1980	1985	1986	1987	1970-1987	1980-1987
Lodging facilities	18.4	21.3	26.1	32.1	33.9	35.8	3.99%	4.61%
Amusement and recreational facilities	14.1	16.3	17.1	21.0	22.6	24.0	3.18%	4.96%

receipts for hotels, motels, and tourist courts experienced progressive increases and had an estimated real compounded annual growth of 4.3 percent.

The Bureau of Labor Statistics breaks down the gross national product (GNP) into amounts contributed by all major industries, including lodging, amusement, and recreational facilities. Table 4.4 shows this information expressed in current dollars. Between 1970 and 1987, the portion of the GNP generated by lodging facilities had a real growth of 3.99 percent per year. For the years 1980 through 1986, this rate of increase was 4.61 percent. In the same two periods, the amount of the GNP generated by the amusement and recreation industry grew at compounded annual rates of 3.18 and 4.96 percent, respectively.

Hotel revenue on a worldwide basis is projected to reach \$149.6 billion in 1990—an annual compounded increase of 4 percent from the 1985 level of \$123 billion. Hotel revenue in the United States is projected to reach \$51.1 billion in 1990, which is also an annual compounded increase of 4 percent from the 1985 level (\$42 billion). These projected growth rates are considered to be favorable indicators of future lodging demand by industry experts.

On a national basis, commercial lodging demand has been increasing over the past 20 to 30 years at an annual compounded rate of growth of 1.5 to 2.5 percent per year. Industry analysts believe that growth will probably continue at the same rate into the long-term future.

#### 4.04 TRAVEL INDUSTRY STATISTICS

Travel statistics, Category 2 data, are in general much more readily available than information concerning the actual utilization of hotels and motels. Category 2 data

**TABLE 4.5**  
**U.S. Travel Industry Sales** (in current billions of dollars)

Source: U.S. Travel Data Center, *Economic Review of Travel in America*

Year	Sales	Year	Sales	Year	Sales	Year	Sales
1972	68.936	1976	107.510	1980	171.785	1984	231.961
1973	75.778	1977	118.778	1981	190.671	1985	245.363
1974	85.085	1978	133.499	1982	199.774	1986	263.033
1975	94.539	1979	155.091	1983	215.523	1987	287.257
						1988	309.855

In constant 1988 dollars			
1973	1978	1983	1988
193.88	232.51	245.82	297.54

do not provide a direct indication of trends in lodging demand, but they do reflect the overall health of the travel industry, which ultimately affects lodging demand. Table 4.5 lists annual total sales for the travel industry in recent years.

When the sales figures are converted to a constant (1988) dollar basis, the compounded annual growth rates can be calculated with the following results:

1973 to 1978	3.7%
1978 to 1983	1.1
1983 to 1988	3.9
1973 to 1988	2.9

These growth rates reflect changes in the health of the lodging industry during the 1970s and 1980s. For example, between 1973 and 1978, the surge in building fueled by real estate investment trusts (REITs) was winding down, but the industry still enjoyed a healthy rate of growth (3.7 percent). During the latter part of the 1970s, hotel industry supply exceeded demand by a wide margin and the industry as a whole was depressed (1.1 percent). Between 1983 and 1988, however, a recovery took place and the industry once again grew at a fast pace (3.9 percent).

**[1] Food and Beverage Sales**

Food and beverage sales are quantified each year by the National Restaurant Association for several categories, including lodging places and hotel and motel restaurants. While not a direct indicator of lodging demand, this information does provide an indication of lodging activity. The data for the period from 1970 to 1987 are contained in Table 4.6.

In constant dollars, food and drink sales at lodging facilities had a compounded annual growth of 2.9 percent between 1970 and 1987. This increased to 4 percent between 1980 and 1987. Hotel restaurants showed growth rates of 4.9 percent and 5.9 percent for the same respective years. Motel restaurants actually experienced lower volumes each year, with a 2.3 percent decline between 1970 and 1987 and a 3.1 percent decline between 1980 and 1987.

**TABLE 4.6**  
**Estimated Food and Drink Sales** (in current millions of dollars)

Source: Stat Abstract 1987; Table 1364; Stat Abstract 1988; Table 1309, National Restaurant Association

	1970	1977	1980	1982	1983	1984	1985	1986	1987
Lodging places	2,585	5,030	6,768	8,286	9,165	10,026	10,699	11,480	12,271
Hotel restaurants	1,554	3,268	4,964	6,412	7,302	8,110	8,748	9,468	10,203
Motel restaurants	643	1,133	1,151	1,196	1,159	1,190	1,209	1,244	1,275

  

	In constant 1987 dollars				Compounded annual percent change	
	1970	1980	1985	1987	1970-1987	1980-1987
Lodging places	7,568	9,330	11,296	12,271	2.9%	4.0%
Hotel restaurants	4,550	6,844	9,236	10,203	4.9	5.9
Motel restaurants	1,883	1,587	1,276	1,275	(2.3)	(3.1)

**TABLE 4.7**  
**Passenger-Miles** (in billions)

Source: Transportation Policy Associates

	1970	1973	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total	1,181	1,341	1,354	1,460	1,529	1,602	1,590	1,558	1,574	1,609	1,647	1,739	1,812	1,807	1,870
Private cars	1,026	1,163	1,171	1,260	1,316	1,362	1,322	1,300	1,319	1,344	1,364	1,473	1,484	1,418	1,494
Domestic airlines	119	143	148	164	177	203	228	219	216	227	245	263	290	320	342
Buses	25	26	25	25	26	26	28	27	27	27	27	27	26	24	23
Railroads	11	9	10	11	10	11	12	11	11	11	11	12	12	12	12

  

	Compounded annual percent change			
	1970-1987	1980-1987	1983-1987	1986-1987
Total	2.7	2.6	3.2	3.5
Private cars	2.2	2.0	2.3	5.4
Domestic airlines	6.4	6.6	8.7	6.9
Buses	(.5)	(2.3)	(3.9)	(4.2)
Railroads	.5	1.3	2.2	0.0

## [2] Passenger-Miles

Passenger-mile statistics for private cars, and domestic airlines, buses, and railroads also provide indirect indicators of transient lodging demand. Table 4.7 shows these data for the period 1970 to 1987.

As can be seen, during most years the greatest growth rate took place in domestic air travel, which had a 6.4 percent annual increase between 1970 and 1987. In more recent years this growth rate increased to 8.7 percent. Air travel tends to generate a high level of lodging demand, so these trends are very favorable for hotels and motels, and particularly those located at major airport destinations.

## [3] Travel Price Index

Price increases are an indication of the general good health of an industry. Generally, during periods of increasing demand or decreasing supply, prices can be raised faster than the rate of inflation, which is not true during periods of decreased demand or

**TABLE 4.8**  
**United States Travel Price Index**

Source: U.S. Travel Data Center

Category	1980	1985	1986	1987	1988	Compounded annual
						percent change
						1980-1988
Travel price index	81.2	108.4	109.0	114.9	119.5	4.95
Lodging while out of town	75.8	114.2	118.4	125.7	132.9	7.27
Food and beverage away from home	83.4	108.4	112.8	117.3	122.2	4.89
Airline fares	68.0	112.5	117.1	122.8	124.2	7.82
CPI	82.4	107.6	109.6	113.6	118.3	4.62

increased supply. Table 4.8 shows the travel price index for certain segments of the U.S. travel industry with comparisons to the consumer price index (CPI), which is an indicator of inflation. Between 1980 and 1986, prices for all of the segments increased at a faster rate than the CPI.

#### [4] Foreign and U.S. Travelers

Foreign travel is largely dependent on the strength of the dollar. When the value of the dollar relative to other currencies is high, U.S. citizens are able to travel abroad more frequently, while foreign visitors are less likely to come to the United States; the reverse occurs when the value the dollar is low. Table 4.9 shows the number of arrivals of foreign travelers to the United States. Table 4.10 shows the number of departures of U.S. citizens to other countries.

Foreign travel to and from the United States has a definite effect on the overall demand for lodging accommodations. The "gateway" cities, Boston, New York, Washington, D.C., Miami, Los Angeles, and San Francisco, benefit the most from foreign travel to the United States because most overseas visitors arrive at these cities and spend at least some of their time in and around them.

### 4.05 ECONOMIC AND DEMOGRAPHIC TRENDS

Category 3 data, which indicate general economic health and broad-based demographic trends that can indirectly affect lodging demand, are readily available to

**TABLE 4.9**  
**Visitor Arrivals in the United States (in thousands)**

Origin	1980	1981	1982	1983	1984	1985	1986	1987
Canada	11,385	10,930	10,430	11,956	10,982	10,880	10,943	12,418
Mexico	3,200	3,800	2,600	1,900	2,300	2,542	5,556	6,705
United Kingdom	1,130	1,225	1,298	1,017	928	861	1,134	1,362
West Germany	680	700	668	563	545	509	670	952
France	320	330	426	305	331	336	440	544
South America	1,190	1,255	1,308	1,032	771	782	944	935
Japan	1,125	1,170	1,447	1,283	1,415	1,469	1,681	2,128
Others	7,915	8,350	8,886	7,851	7,528	7,538	8,860	10,534

**TABLE 4.10**  
**U.S. Travelers Abroad** (in thousands)

Destination	1980	1981	1982	1983	1984	1985	1986	1987
Canada	11,171	11,374	10,974	11,237	11,706	12,100	14,134	13,306
Mexico	3,807	3,432	3,580	3,900	4,100	3,541	11,437	13,074
Europe	3,868	3,839	4,122	4,707	5,755	6,425	5,171	6,173
South America	489	482	461	488	559	556	629	788
Central America <sup>1</sup>	—	—	—	—	—	392	444	470
Caribbean <sup>1</sup>	2,541	2,449	2,607	2,910	3,384	3,175	3,483	3,714
Others	8,107	8,070	8,594	9,716	11,690	12,696	12,038	13,616

<sup>1</sup> Central America and Caribbean combined until 1984; separated thereafter

**TABLE 4.11**  
**Gross National Product by Industry** (in current billions of dollars)

Source: Stat Abstract 1988; Table 1298, The Office Network

	1970	1975	1980	1981	1982	1983	1984	1985	1986
GNP	1,015.5	1,598.4	2,732.0	3,052.6	3,166.0	3,405.7	3,765.0	3,998.1	4,235.0
Wholesale and retail trade	168.7	273.7	438.9	483.1	506.5	542.9	610.4	652.5	702.5
Services	120.2	199.8	374.0	422.6	463.3	515.5	581.6	639.4	700.2
	In constant 1986 dollars					Compounded annual percent change			
	1970	1975	1980	1985	1986	1970-1986	1980-1986		
GNP	2,868.5	3,256.2	3,633.8	4,072.4	4,235.0	2.5	2.6		
Wholesale and retail trade	476.5	557.6	583.8	664.6	702.5	2.5	3.1		
Services	339.5	407.0	497.5	651.3	700.2	4.6	5.9		

analysts and investors. The most useful data of this type pertain to the GNP and the contributions made to it by wholesale and retail trade and the service industries (see Table 4.11).

Wholesale and retail trade generates about 15 percent of the nation's lodging demand, so the economic health of this segment of the economy has particular importance for the lodging industry. In constant 1987 dollars, the GNP had a compounded annual growth rate of 2.5 percent between 1970 and 1987. During this same period, wholesale and retail trade also grew at 2.41 percent and services increased by 4.9 percent annually. Much of the increase took place between 1980 and 1987 when the growth rates were well above the average.

In addition, several other important economic indicators showed strong compounded annual growth between 1980 and 1986: Total personal income rose 2.8 percent, disposable personal income rose 2.0 percent, and corporate profits grew by 3.2 percent.

#### 4.06 CHARACTERISTICS OF TRAVEL DEMAND

Category 4 data are quite different from the first three categories of data in that they do not assist in quantifying lodging demand, but rather provide information about the characteristics of the demand, such as



**TABLE 4.12**  
**Characteristics of an Average Trip**

Source: U.S. Travel Data Center

	1967	1972	1975	1976	1979	1980	1983	1984	1985	1986	1987	1988
Persons per trip	1.80	1.94	2.01	2.00	2.16	2.09	1.96	1.92	1.93	1.89	1.87	1.88
Nights per trip	5.04	3.88	3.97	4.06	3.97	4.60	5.10	5.20	5.1	4.8	4.6	4.3

- The reasons why commercial travelers select a particular hotel
- The usual lead time for booking an association training seminar
- The most popular destinations for pleasure travelers
- The primary reasons why people travel
- The hotel amenities that travelers request most and the amenities that travelers actually use most

Although Category 4 data do not directly reflect overall hotel demand, an understanding of this information is essential for planning a lodging facility and operating it in a manner that attracts a sufficient level of demand.

Table 4.12 contains data regarding the characteristics of an average trip along with the number of nights per trip for the period from 1967 to 1986. The data in the table show that the number of persons per trip ranges from a low of 1.8 to a high of 2.16. Other than the fact that the increase and decrease in the number of persons per trip is cyclical, the trend does not seem to be tied to any particular economic or demographic factor. The number of nights per trip appears to vary at random from 3.88 to 5.4.

Category 4 data, such as that shown in Table 4.12, relate to the entire travel market within the United States. Taken as a whole, this information is of some interest, but it is often too general or broad in scope to provide a meaningful base from which to make specific investment or operational decisions. In order for such data to be truly useful, they must be broken down into individual segments based on the unique characteristics of the travelers comprised in a particular segment. The most logical method for performing this operation is to use the purpose of the trip as a distinguishing characteristic. Using this method, lodging demand can be divided into many different categories, but the three primary segments are commercial demand, which consists of individual business people traveling for a business purpose; meeting and convention demand, which comprises groups of people (more than three) traveling for the purpose of having a meeting of some type; and leisure demand, which consists of individuals traveling for pleasure.

One important reason for looking at Category 4 data on the basis of individual demand segments is that different types of demand usually exhibit different characteristics that are useful for lodging facility planners and managers to know. For example, commercial demand exhibits a low double occupancy rate, while leisure travel generates a much larger number of people per room; leisure travelers tend to have a longer average stay than commercial patrons; and growth rates in commercial travel are often very dependent on the local economy, while growth rates in meeting and convention patronage are most often affected by national economic trends. These characteristics can have a significant effect on the operating results of a lodging facility, so any analysis of lodging demand data should begin by dividing the data into individual segments.

**TABLE 4.13**  
**Business Trips Taken per Year**

Source: U.S. Travel Data Center

Business trips per year	Percentage of commercial travelers
1-2	59%
3-9	31
10+	10

**TABLE 4.14**  
**Nights Spent per Business Trip**

Source: Mastercard International Frequent Business Traveler Study

Number of nights	Percentage of commercial travelers
1	32%
2-4	58
5-10	8
10+	2

## [1] Commercial Demand Segment

As shown in Table 4.13, well over half of all business travelers take between one and two business trips per year, while only 10 percent travel more frequently than ten times in one year. Hotel chains develop marketing plans aimed at these frequent travelers in an effort to develop brand loyalty. Various traveler incentive programs instituted by hotel chains are used to capture the 41 percent of the commercial segment that is on the road on a frequent basis. The average length of a business trip is 2.8 nights at a hotel. Table 4.14 shows a breakdown of business trips based on the number of nights away from home.

The demographics of the typical business traveler are always of interest to hotel investors and operators. Table 4.15 shows some of the most important characteristics of the commercial segment. The data indicate that the typical business traveler generally travels more than 1,100 miles in a single trip, stays at a hotel, and is between 25 and 44 years of age. It is interesting to note that the majority of commercial travelers are not college graduates, do not hold a professional or managerial position, and do not use the services of a travel agent.

Private cars are the primary means of transportation for most business trips, followed by commercial airlines. Table 4.16 shows the types of transportation used by commercial travelers.

One of the most important characteristics of commercial travelers is the nature of the business that causes them to travel. Table 4.17 shows the top ten businesses that

**TABLE 4.15**  
**Demographics of Business Travelers**

Source: U.S. Travel Data Center

Men	61%
Age 25-44	57%
College graduate	45%
Professional or managerial	26%
Household income \$40,000+	39%
Two-wage earner family	52%
Average miles per trip	1,180
Average nights per trip	4.2
Average household members per trip	1.4
Use airline for trip	42%
Use rental car for trip	15%
Stay in hotel	71%
Use travel agent for trip	26%

**TABLE 4.16**  
**Types of Transportation Used on Business Trips**

Source: U.S. Travel Data Center

	Primary type used
Own car	45%
Airline	36
Rental car	6
Taxi	1
Bus	2
Train	1
Other	9

**TABLE 4.17**  
**Top Ten Purchasers of Lodging (Commercial Segment)**

Source: U.S. Department of Commerce

1. Wholesale trade	14.4%
2. Finance, insurance, real estate	7.2
3. Miscellaneous	7.0
4. New construction	4.7
5. Retail trade	3.8
6. Health care services	3.4
7. Food industry	3.2
8. Motion picture production, amusement / recreation services, and commercial sports	2.7
9. Nonprofit organizations	2.6
10. Miscellaneous business services	<u>2.6</u>
Total	51.6%

generate commercial lodging demand. This type of information is helpful when evaluating a market area for potential commercial lodging demand. For example, if many of the local businesses are engaged in wholesale trade, then the likelihood is good that these firms will generate strong lodging demand. Businesses that perform various financial, insurance, and real estate services are also good prospects for commercial hotel demand.

The process of selecting a hotel from the point of view of a typical commercial traveler is important to owners and operators of lodging facilities. Table 4.18 shows the top ten factors that commercial travelers consider when selecting a hotel. Predictably, a convenient location is the key factor in the selection process. Clean, comfortable rooms are next on the list, followed by cost.

Commercial travel is fairly evenly distributed throughout the year. The months of December, January, and February do, however, see somewhat less activity. Table 4.19 lists the distribution of business travel by month throughout the year.

**TABLE 4.18**  
**Top Ten Factors in Hotel Selection (Commercial Travelers)**

Source: U.S. Travel Data Center

1. Convenient location
2. Clean, comfortable rooms
3. Room rates
4. Recommendations
5. Previous experience
6. Meeting facilities
7. Restaurant—food service
8. Company policy
9. Travel agent
10. Frequent guest program

**TABLE 4.19**  
**Distribution of Business Trips by Month**

Source: U.S. Travel Data Center's National Travel Survey

	Percentage of total
January	6.8%
February	5.9
March	8.3
April	9.0
May	8.3
June	9.0
July	9.8
August	9.0
September	9.0
October	9.8
November	8.3
December	<u>6.8</u>
Total	100.0%

**TABLE 4.20**  
**Characteristics of Corporate Meetings**

Source: 1987 Meetings Market

Type of meeting	Average attendance	Average number of days' duration	Number in past year	Percentage of total	Average number of months' planning lead time
Management meetings	43	2.3	154,200	19%	3.1
Regional sales meetings	44	2.5	137,600	17	3.5
Training seminars	38	2.6	207,500	26	3.4
National sales meetings	128	3.5	70,700	9	6.2
Incentive trips	81	5.2	66,600	8	7.7
Professional/technical meetings	58	2.4	75,800	9	4.5
New product introductions	68	2.0	48,500	6	3.6
Stockholder meetings	82	2.5	21,600	3	4.7
Other meetings	<u>116</u>	<u>3.1</u>	<u>24,700</u>	<u>3</u>	<u>3.1</u>
Average/Total	59	2.8	807,200	100%	4.4

Business travelers are somewhat less price-sensitive than most other travelers, they travel on a more regular basis, and their demand is fairly predictable. For these reasons, owners and operators of lodging facilities consider the commercial demand segment an extremely important component of the overall demand for lodging.

## [2] Meeting and Convention Demand Segment

One of the best sources of national demand data concerning the meetings and convention market segment is *Meetings and Conventions* magazine, a nationally recognized authority on all types of meetings and conventions. Every two years, the publishers of this periodical conduct a detailed survey of their readership to develop data related to the meetings and convention market in the United States, and then publish the information in a book titled *Meetings Market*.

*Meetings Market* divides the meetings and convention market into three segments: corporate meetings, conventions, and association meetings. Table 4.20 shows the important characteristics of corporate meetings.

Corporate meetings tend to have a fairly small attendance (the average is approximately 59 people) and range in duration from 2 to 5.2 days, with an average length of 2.8 days. Training seminars make up the largest number of corporate meetings, followed by management meetings and regional sales meetings. The planning lead time for corporate meetings ranges from a low of 3.1 months to a high of 7.7 months for incentive trips. The length of lead time is an important consideration for new hotels that must pre-sell meeting space early enough to capture this element of the lodging market.

Major conventions typically consist of groups of 1,000 or more. A unique characteristic of conventions is the amount of time that they are booked in advance. Table 4.21 shows that as the size of a meeting increases, the number of months lead time required for booking arrangements also increases up to the point where the average convention of more than 500 people is booked more than four years in advance. This finding demonstrates the need for a long pre-selling program for new hotels that plan to capture large meetings.

Association meetings comprise smaller groups who meet periodically to conduct the business of the association. These events consist of work sessions similar to

**TABLE 4.21**  
**Advance Time Required to Book Meetings**

Source: Meeting Planners Survey

Number of people attending	Months
10 – 50	10
51 – 150	13
151 – 300	25
301 – 500	33
500 +	55

**TABLE 4.22**  
**Characteristics of Association Meetings**

Source: 1987 Meetings Market

Type of meeting	Average attendance	Average number of days' duration	Number of months' lead time
Board meetings	34	2.0	5.2
Educational seminars	96	2.0	5.6
Professional/technical meetings	106	2.2	6.2
Regional/local chapter meetings	102	2.0	5.0
Other meetings	<u>153</u>	<u>2.6</u>	<u>8.1</u>
Average	90	2.1	6.0

corporate meetings but also generally involve some leisure-oriented and socially oriented activities. Table 4.22 provides basic information about such meetings.

Association meetings include functions such as board meetings, seminars, and local chapter meetings. They typically attract an average of 90 people, which is larger than the average corporate meeting, but the duration is somewhat shorter, with an average of 2.1 days. Planning lead time for association meetings tends to be somewhat longer than corporate meetings, ranging from 5 months to 8.1 months.

The seasonality of meeting and convention demand is an important consideration when planning a hotel oriented to this market segment. The meetings and convention market has strong seasonal swings in demand, with the high point coming in the late spring and the low point in the middle of winter. Table 4.23 shows the percentage of major conventions held by month.

The process by which meeting planners select a hotel is important information for owners and operators of lodging facilities. Table 4.24 shows the top ten factors that a meeting planner considers when selecting a hotel.

**TABLE 4.23**  
**Distribution of Conventions by Month**

Source: U.S. Travel Data Center

	Percentage of meetings
January	1%
February	7
March	5
April	13
May	15
June	13
July	10
August	8
September	9
October	11
November	6
December	<u>2</u>
Total	100%

**TABLE 4.24**  
**Top Ten Factors in Hotel Selection (Meetings and Conventions)**

Source: U.S. Travel Data Center

1. Food service
2. Meetings facilities
3. Billing procedures
4. Guestrooms
5. Meeting coordination
6. Audio-visual equipment
7. Recreational facilities
8. Convenient transportation
9. Exhibit space
10. Number and caliber of suites

**TABLE 4.25**  
**Distribution of**  
**Leisure Trips by Month**

Source: U.S. Travel Data Center

January	5.5%
February	4.7
March	6.0
April	6.8
May	9.6
June	10.7
July	12.8
August	10.7
September	9.1
October	8.3
November	7.8
December	8.0

**TABLE 4.26**  
**Demographics of**  
**Leisure Travelers**

Source: U.S. Travel Data Center

	Percentage of total
Men	48%
Age 25-44	48%
College graduate	34%
Professional or managerial	15%
Household Income \$40,000 +	27%
Two-wage earner family	46%
Use airline for trip	21%
Use rental car for trip	6%
Stay in hotel	39%
Use travel agent for trip	13%
Average miles per trip	1,010
Average nights per trip	5.9
Average household members per trip	2.1

Meetings and conventions are unquestionably an important market for the lodging industry. Most of these events make use of all of the facilities within a hotel, including meeting rooms, banquet rooms, lounges, restaurants, and recreational facilities. In addition to the full use of facilities, this market also offers several other benefits. For example, some groups are willing to meet on weekends and holidays, thus complementing commercial demand, which falls off during these periods. Another advantage is that meeting plans are typically made by a small committee that can consolidate and facilitate a hotel's marketing and selling activities. In addition, group arrangements such as banquets, centralized booking, check-in, and billing increase the efficiency of convention hotel operations.

As the economy of the United States becomes increasingly service-oriented, the need for meetings and conventions should continue to grow. Offsetting this trend, however, will be the greater use of video communications, which will, over time, decrease the need for attended meetings.

### [3] Leisure Demand Segment

Leisure travel is important to the lodging industry because it creates lodging demand that is negatively correlated with commercial demand. In other words, leisure travel is strong during weekends, holidays, and summer, when commercial demand is weak, and during periods when commercial demand is strong, leisure travel is generally at a low level. (Table 4.25 illustrates the seasonality of leisure trips.) Hotels that can attract both leisure and commercial demand generally enjoy higher levels of occupancy without the peaks and valleys that plague operations that can only cater to one segment of demand.

Table 4.26 contains demographic data pertaining to leisure travelers. As can be seen, this segment is family-oriented, with an average of 2.1 people per trip, and the average trip is fairly extensive, lasting 5.9 nights and covering more than 1,000 miles.

As the average American family becomes more affluent (largely through the increase in the number of families with two wage earners), leisure travel should increase and the lodging industry will benefit as a result.

**TABLE 4.27**  
**Customer Preference**

Demand Segment	Class of Hotel		
	Economy	Midrate	Luxury
<b>Commercial</b>	1. Price	Travel time	Image
	2. Travel time	Quality	Quality
	3. Quality	Price	Management
	4. Management	Image	Travel time
	5. Amenities	Management	Amenities
	6. Image	Amenities	Price
<b>Meeting and convention</b>	1. Price	Amenities	Image
	2. Amenities	Quality	Amenities
	3. Quality	Price	Quality
	4. Management	Image	Management
	5. Travel time	Management	Travel time
	6. Image	Travel time	Price
<b>Leisure</b>	1. Price	Amenities	Image
	2. Amenities	Quality	Amenities
	3. Quality	Price	Quality
	4. Management	Image	Management
	5. Travel time	Management	Travel time
	6. Image	Travel time	Price

**[4] Comparison of Demand Characteristics**

Category 4 data are useful as an insight to the nature of the main segments of lodging demand, but the real value of this kind of information is revealed when it is used to compare one market segment with another. To illustrate, Table 4.27 contains listings of customer preference items, which have been ranked according to the importance with which they are regarded by the three main demand segments (1 being most important and 6 least important).

The six preference items surveyed are price, travel time, quality, management, amenities, and image. Price simply represents what is charged by lodging facilities for their guestrooms. Travel time is the time it takes to travel to the facility if it is not the primary destination of the traveller, and is primarily a measure of convenience. Quality is a measure of the grade of the accommodations offered by a facility; a high-quality hotel generally has larger guestrooms, better furnishings, and more personalized service. Management is largely responsible for a lodging facility's atmosphere, which can affect guest comfort and the perceived status of the facility. Amenities are items provided above and beyond the normal necessities found in a lodging facility; they usually become more elaborate as the level of quality rises. Image is an intangible that describes the feeling that is created by a facility and its management and that is augmented through marketing and guest experience.

Table 4.27 shows that for the commercial-economy traveler, price is the most important consideration, while the image of the hotel is the least important. For commercial travelers who seek luxury accommodations, the reverse is true: image is of primary importance and price is not a pressing concern. This table is an example of one of the ways in which operators and investors evaluate the characteristics of lodging demand in order to orient their property toward the market with the greatest potential or utilize the existing characteristics to their fullest extent.