GETTING AHEAD OF THE RECOVERY CURVE

SORTING “MYTH FROM REALITY”

2011 Industry Trends
Presented to HSMAI-Boston
October 6, 2011

D.K. Shifflet & Associates Ltd.
5 Top Myths vs. Reality

- Customer Segments
- Hotel Guest Satisfaction
- Hotel Amenities
- Generations
- Pricing

6th Technology
**MYTH**

Two Traditional Lodging Guest Segments:

1. Weekday Business
2. Weekend Leisure

**REALITY**

Six or More Lodging Guest Segments:

1. Convention
2. Seminar
3. Transient Business
4. General Vacation
5. Getaway Weekend
6. Personal Leisure
Transient Business and Personal Leisure Dominate Business and Leisure Segments Respectively

% of Total U.S. Lodging Room-Nights by Travel Segments (2011P)
Convention and Seminar Business Recovered in 2010 Followed by Transient Business in 2011 and 2012

U.S. Domestic Business Travel Segment Hotel Room-Night Demand

*Transient Business includes Client Service, Consulting, Inspections/Audits, Construction/Repair, Sales, Purchasing, Government/Military, Other Company Business
Personal Leisure and Getaway Weekend Leisure Show Stronger Recovery in 2010-2011 With General Vacation Recovering in 2012

U.S. Domestic Leisure Travel Segment Hotel Room-Night Demand

*Personal Leisure includes Visiting Friends/Relatives, Special Events, Personal Business such as Medical Visits, Relocation, College Visits, etc.
Top 25 Markets Attract More Conventions and Less Personal Leisure

% of Lodging Room-Nights By Travel Segment

- **Convention/Mtgs**
- **Seminar**
- **Transient Business**
- **Getaway Wkend**
- **Vacation**
- **Personal**

**Total U.S.**
- 13% Convention/Mtgs
- 9% Seminar
- 23% Transient Business
- 13% Getaway Wkend
- 16% Vacation
- 27% Personal

**Top 25 Markets**
- 16% Convention/Mtgs
- 10% Seminar
- 21% Transient Business
- 11% Getaway Wkend
- 19% Vacation
- 23% Personal
Boston Attracts More Convention and Transient Business Room-Nights Compared to the Top 25 Markets

% of Lodging Room-Nights By Travel Segment

- Convention/Mtgs
- Seminar
- Transient Business
- Getaway Wkend
- Vacation
- Personal

Boston

- 19% Convention/Mtgs
- 6% Seminar
- 28% Transient Business
- 9% Getaway Wkend
- 11% Vacation
- 28% Personal

Top 25 Markets

- 16% Convention/Mtgs
- 10% Seminar
- 21% Transient Business
- 11% Getaway Wkend
- 19% Vacation
- 23% Personal
Guests are not just weekend and weekday
**MYTH**

A Good Hotel Is Rated High by All Lodging Customers

**REALITY**

Not All Lodging Customers Are Alike
Hotel Guests Rate Boston Hotels Slightly Higher Compared to the Top 25 Markets

High Lodging Satisfaction Ratings (%9-10 on 1-10 scale) Among Hotel Guests

- Top 25 Markets: 50%
- Boston, MA: 52%
However Satisfaction Varies Depending on the Guest Segment

High Lodging Satisfaction Ratings (%9-10 on 1-10 scale) Among Hotel Guests

Top 25 Markets

- Total Satisfaction
- Group Business
- Transient Business
- Getaway Weekend
- General Vacation
- Personal Leisure

50%
45%
35%
55%
65%
Guests Rate Boston Hotels Right for all Business Purposes and General Vacations

High Lodging Satisfaction Ratings (%9-10 on 1-10 scale) Among Hotel Guests

- Total Satisfaction: 50% (Top 25 Markets), 52% (Boston, MA)
- Group Business: 45% (Top 25 Markets), 48% (Boston, MA)
- Transient Business: 35% (Top 25 Markets), 36% (Boston, MA)
- Getaway Weekend: 60% (Top 25 Markets), 62% (Boston, MA)
- General Vacation: 65% (Top 25 Markets), 66% (Boston, MA)
- Personal Leisure: 55% (Top 25 Markets), 57% (Boston, MA)
Guests are not just weekend and weekday

Boston hotels satisfy some guests more than others
MYTH

Guests Always Expect the Lowest Price

REALITY

Guests Are Willing to Pay More for Some Amenities…
Business Guests Are Willing to Pay More For Some Services
(Four in Ten Will Pay More Internet, Breakfast, Shuttle, Frig)

% of Business Travelers Who Are More Likely to Stay and Pay a Higher Room Rate if Complimentary Item or Service Offered (2011)

- Internet in room
- Buffet breakfast
- Shuttle to/from airport/businesses
- Refrigerator in room
- Bottled water in room
- Coffee/tea in room
- Late check-out
- Bottled water 24/7 in lobby
- Microwave in room
- Soft drinks/snacks in lobby
- Fitness center 24/7
- Large HD TV
- Premium TV channels

% of Business Travelers rating 8, 9, or 10 on a 10 point scale (n=1100 surveyed in January - February, 2011)
Business Guests Are Less Willing to Pay For Some Services
(Don’t Offer or Offer for a Fee)

% of Business Travelers Who Are More Likely to Stay and Pay a Higher Room Rate if Complimentary Item or Service Offered (2011)

- Evening social hour
- Buffet dinner
- Soft drinks/snacks in room
- Coffee/tea 24/7 in lobby
- Upgraded desk area
- Internet/WiFi in lobby
- Restaurant coupons
- Local/national newspaper at door
- Local/national newspaper at front desk
- Video library at front desk
- Concierge
- Pets allowed
- Same day laundry (2 item max)
- Gaming System (Wii, Play Station)
- Luggage storage lockers
- Automated massage chair in lobby
- Loaner work-out equipment

% of Business Travelers rating 8, 9, or 10 on a 10 point scale (n=1100 surveyed in January - February, 2011)
Leisure Guests Are Willing to Pay More For Some Services
(Four in Ten Pay More: Breakfast, Frig, Internet, Late Check-out)

% of Leisure Travelers Who Are More Likely to Stay and Pay a Higher Room Rate if Complimentary Item or Service Offered (2011)

- Buffet breakfast
- Refrigerator in room
- Internet in room
- Late check-out
- Microwave in room
- Coffee/tea in room
- Soft drinks/snacks in lobby
- Large HD TV
- Buffet dinner
- Shuttle to/from airport/businesses
- Bottled water in room
- Bottled water 24/7 in lobby
- Premium TV channels
- Coffee/tea 24/7 in lobby

2nd Tier

Top Tier

% of Leisure Travelers rating 8,9, or 10 on a 10 point scale (n=1100 surveyed in January - February, 2011)
## Leisure Guests Are Less Willing to Pay For Some Services

*(Don’t Offer or Offer for a Fee)*

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<thead>
<tr>
<th>Service</th>
<th>3rd Tier</th>
<th>Bottom Tier</th>
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% of Leisure Travelers Who Are More Likely to Stay and Pay a Higher Room Rate if Complimentary Item or Service Offered (2011)

- % of Leisure Travelers rating 8, 9, or 10 on a 10 point scale (n=1100 surveyed in January - February, 2011)
Guests are not just weekend and weekday.

Boston hotels satisfy some guests more than others.

Guest will pay extra for some items.
How Many Millennials In The Room?
MYTH

Millennial Generation Is Taking Over So Need To Promote & Design For Them

REALITY

Gen X and Boomers Still Dominate --- And Will For Years
Millennials Are Increasing The Fastest, But…

Generations: U.S. Domestic Hotel Room-Night Demand*

- Millennials <31
- GenX (31-46)
- Boomers (47-65)
- Silent/GI 66+

*Age as of January 2011
Millennials Are And Will Be A Small Component For Many Years

Generation Total Room-Nights Size and Growth (Millions) - 2010-2011P

- Generation Total Room-Nights Size and Growth (Millions) - 2010-2011P

- Millennials <31
- Silents/GIs 66+
- GenX (31-46)
- Boomers (47-65)
Boston Attracts a Larger Proportion of Boomers

Top 25 Markets

- Millennial: 16%
- GI/Silent: 10%
- Baby Boom: 36%
- Gen X: 38%

Boston, MA

- Millennial: 17%
- GI/Silent: 9%
- Baby Boom: 38%
- Gen X: 36%

% of Hotel Room-Nights By Generation
Guests are not just weekend and weekday.

Boston hotels satisfy some guests more than others.

Guest will pay extra for some items.

Don’t forget Boomer guests.
**MYTH**

We Must Wait Until Occupancies Increase Substantially Before We Dare Increase Rates --- Historic

**REALITY**

Don’t Wait: Increase Rates In Small Increments (Below JNDs) --- When Value Is Perceived To Be High!
Guests are not just weekend and weekday

Boston hotels satisfy some guests more than others

Guest will pay extra for some items

Don’t forget Boomer guests

Raise rates incrementally – use guest evaluations as a guide
**MYTH**

Technology will replace business travel in the future

**REALITY**

Not happening yet … Stay tuned
Travel Wins Over Technology For Now

% of Business Hotel Guests Agreeing With Statement

- People communicating in person have business advantage over people communicating electronically

- Nothing will ever replace in person meetings regardless of distance

- Travel hassles have made electronic business communications more desirable
Travel Wins Over Technology For Now

% of Business Hotel Guests Agreeing With Statement

- People communicating in person have business advantage over people communicating electronically
- Nothing will ever replace in person meetings regardless of distance
- Travel hassles have made electronic business communications more desirable
- In person business meetings necessary regardless of distance
- Electronic methods for business communication will replace most travel in next 5-10 years
- Electronic business relationships as important as in person
- Electronic communication as effective as in person

Strongly Agree | Somewhat Agree

0% | 25% | 50% | 75% | 100%
Travel wins over technology

Guests are not just weekend and weekday

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Don’t forget Boomer guests

Raise rates incrementally — use guest evaluations as a guide
Travel wins over technology
THANK YOU!

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