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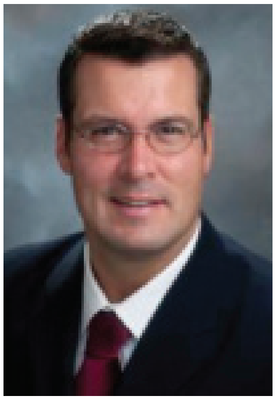
The TravelClick Perspective

Back to Business As Usual

The US hotel industry is cyclical with occupancy recovery nearing its end and ADR growth gaining strength



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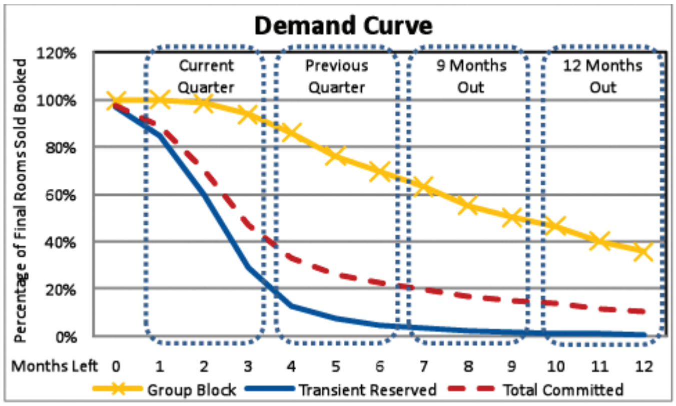
Based on hotel industry bookings as of July 3, 2011, revenue per available room (RevPAR) for the future 12 months is 6.1% higher than the same time last year. Performance trends show moderate year-over-year RevPAR improvement for the next two months before a holiday calendar shift skews demand in September (+9.8% YoY) and October (+3.3% YoY). RevPAR has now grown for 18 consecutive months, including a 6.1% year-over-year increase in June.

For the second month in a row, the primary driver of results was average daily rate (ADR), a cyclical shift from the occupancy-led results reported over the previous two years. ADR is up 3.7% year-over-year for the next 12 months, ranging from a low of +2.7% YoY growth in July to a high of +6.8% YoY growth in September for the balance of the year. U.S. hotel industry RevPAR growth averages an increase of 6.6% YoY for the full year 2011, moderating from an increase of 6.8% during the first half to an increase of 6% during the second half of the year, with ADR increasing by 2.9% and 3.6% respectively.

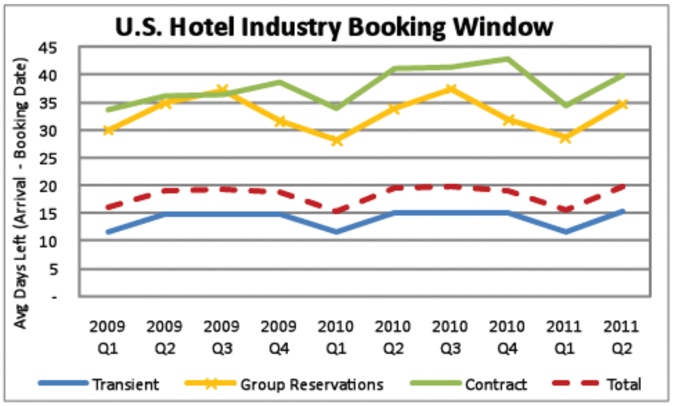
Time = Money

The metric of time for the hotel industry can be calculated using two significant measures, (1) the booking window and (2) length of stay. First, we evaluate the ever-changing booking window by reviewing industry trends from the last couple of years. With the rise in popularity of flash sales and mobile devices, many industry experts believe that travelers increasingly wait until the very last minute to book.

However, TravelClick data proves that booking windows are lengthening at this point in the hotel cycle. During the second quarter of 2011, the industry booking window increased for the fifth straight quarter to average 19.8 days, a 2% increase from last year with the group reservations average (34.7 days) more than double transient average (15.3 days).



Booking pattern for previous 12 months respective to group block, transient reserved and total committed demand for the second quarter of 2011.



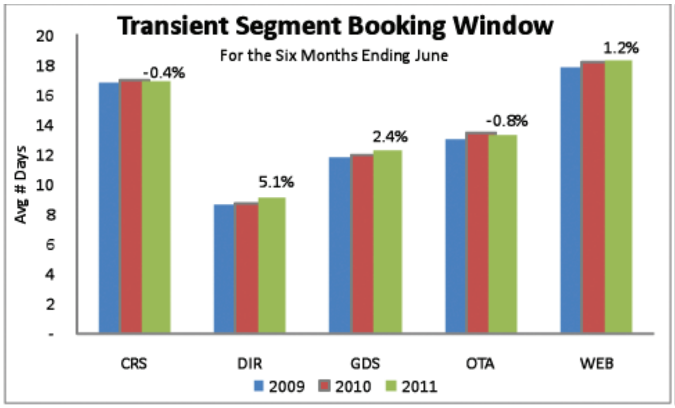
The hotel industry booking window, derived by dividing the number of days between booking date and arrival date by the number of bookings, is increasing across transient and group customer segments, down slightly for contract (airline crew).

This change in pace and emerging channels, coupled with the economic environment and price transparency, requires flexibility throughout the entire revenue management cycle. Revenue maximizers often rely on length of stay distribution statistics stored statically in a database. These distributions not only change seasonally, but vary throughout the booking window as the number of days to arrival counts down to zero.

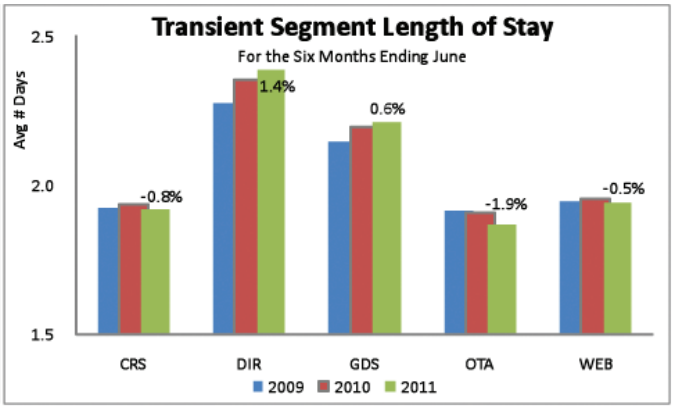
Across the nation, length of stay (LOS) declined 0.9% YoY to average 2.21 days during the second quarter. This was the first shortening of the ratio since the third quarter of 2009, indicating that with comparable demand up 2.7% year-over-year, the frequency of trips grew but guests stayed for a shorter period of time.

What does this mean for revenue managers? It is important to pay keen attention to both the booking window and length of stay patterns when forecasting. The charts below compare transient customer booking behavior, by source, for additional insight. Voice (CRS) was the only distribution channel to report a year-over-year booking window decrease during the second quarter. The OTA channel (93% leisure) booking window increased over the prior year for the first time since Q2 2010 and the average LOS for this channel declined over the prior year for the fifth straight quarter. Business customers accounted for eight out of ten hotel rooms sold through the hotel industry's GDS (travel agent) channel. Considering the market mix, it is no surprise that the health of GDS booking window and length of stay measures are among the central channel leaders.

While insights into the booking window and length of stay patterns via channel provide visibility into guest behavior, using these Hotelligence360 data points can specifically address future performance opportunities or target marketing to promote desired outcomes. Terabytes of transaction-level data present a complete view of each room-night up to 12 months into the future, providing a lengthened window of opportunity to improve financial results faster than competitors.



Hotel bookings made via the brand 1-800 number (CRS) or brand website (WEB) were made the furthest in advance while property direct (incl. walk-in) was made the shortest in advance.



Length of stay is derived by dividing the number of room nights by the number of bookings.

Performance Summary

The chart below shows the year-over-year position by market of committed occupancy, reserved occupancy, ADR and RevPAR, based on business on the books for the future 12 months. Committed occupancy is group blocks plus transient reservations. Reserved occupancy, ADR and RevPAR are based only on reservations (group pickup and transient reservations). Shades of green indicate performance better than the market average. Shades of orange/red indicate performance worse than the market average.

	Committed Occ	Reserved Occ	Reserved ADR	Reserved RevPAR
Atlanta	-4.6%	-1.7%	1.5%	-0.2%
Boston	6.5%	4.8%	3.1%	8.1%
Charlotte	-0.6%	4.5%	5.2%	9.9%
Chicago	4.7%	0.8%	2.5%	3.3%
Dallas	-7.6%	-2.0%	1.1%	-1.0%
Denver	-4.1%	-0.9%	1.5%	0.6%
Detroit	7.0%	6.7%	5.0%	12.0%
Honolulu	-2.5%	-1.9%	1.8%	-0.1%
Houston	3.7%	-2.1%	0.7%	-1.4%
Indianapolis	15.2%	8.3%	1.7%	10.1%
Los Angeles	2.3%	6.1%	3.5%	9.8%
Miami	2.7%	10.3%	6.1%	17.0%
Minneapolis St Paul	1.3%	3.8%	4.5%	8.4%
New York	2.9%	2.2%	5.4%	7.7%
Orlando	3.8%	2.6%	-1.1%	1.5%
Philadelphia	15.8%	2.4%	5.1%	7.6%
Phoenix	8.7%	9.6%	2.6%	12.4%
San Antonio	2.0%	-4.5%	-9.6%	-13.7%
San Diego	5.3%	1.1%	0.6%	1.7%
San Francisco	4.1%	8.3%	10.8%	20.0%
Seattle	7.6%	0.0%	3.1%	3.1%
St Louis	6.9%	-0.8%	4.1%	3.3%
Tampa	0.7%	9.3%	-0.8%	8.4%
Toronto	6.2%	-3.7%	9.2%	5.2%
Washington DC	-1.4%	-1.1%	6.8%	5.6%

About TravelClick

TravelClick (www.TravelClick.com) is a leading provider of profitable revenue generating solutions for hoteliers worldwide. TravelClick offers hotels world-class reservation solutions, business intelligence products and comprehensive media and marketing solutions to help hotels grow their business. With local experts around the globe, we help more than 30,000 hotel clients in over 140 countries drive profitable room reservations through better revenue management decisions, proven reservation technology and innovative marketing. Since 1999, TravelClick has helped hotels leverage the web to effectively navigate the complex global distribution landscape. TravelClick has offices in New York, Atlanta, Chicago, Barcelona, London, Dubai, Houston, Melbourne, Shanghai, and Tokyo. Follow us on www.twitter.com/TravelClick and www.facebook.com/TravelClick.

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