

A PERSPECTIVE ON REGIONAL ADR



By Kristi White | Director, Revenue Optimization | TravelCLICK Inc.

WHITE PAPER

Economies ebb and flow like the tides. Our businesses and profits bob along on those ebbs and flows. Over the past 5 years, the hotel industry has risen on this surging tide. As a result, we forgot the last ebb and the lessons learned after it. We forgot the quick race to the bottom on rates and profits. We assumed that the rising flow of profits would last and continue to grow.

Yet, here we are again, with the global economy in a free fall. One would hope that hoteliers had learned their lessons and were weathering this storm better. However, history is rapidly repeating itself. Across the globe, rates, occupancies and RevPAR's are dropping faster than the DOW Jones, LSE & Nikkei combined.

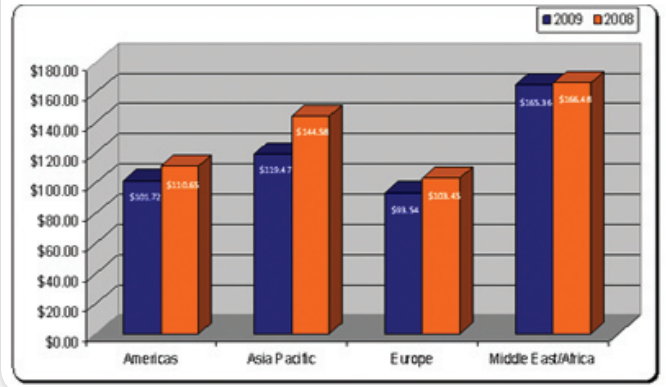
SOME POINTS TO CONSIDER:

Hoteliers in the Middle East and Africa seem to be winning the battle or at the very least holding their own. They have wisely managed to maintain their rates relatively flat with only a 0.67 percent decrease in ADR. As a result, even with an 11.81 percent decrease in occupancies, they are realizing the smallest RevPAR decline at 12.43 percent. While the loss of revenue is stunning and problematic, this region of the world is positioning itself to leapfrog other regions when inevitably the economy recovers. It will be poised to grow rates to pre-crisis rates almost immediately.

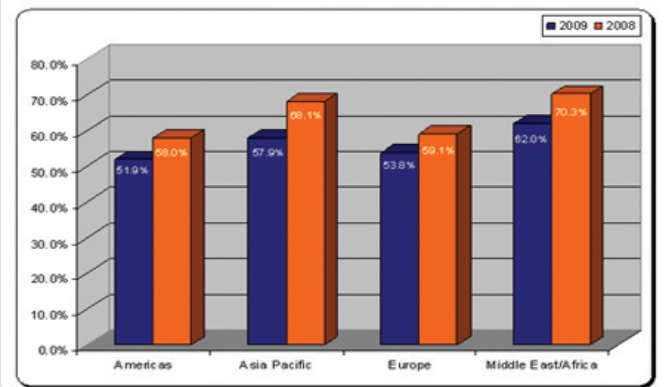
Hoteliers in the Americas are quickly relying on bad habits learned after 9/11. This region is experiencing an 8.7 percent decrease in ADR. While the occupancy decrease is the second lowest across the globe at 10.5 percent the ADR decrease is leading to even greater RevPar decreases. Through the end of March, the region is experiencing an 18.4 percent decrease in RevPAR.

Hoteliers in Asia Pacific are losing the war on all fronts. The region has the greatest decline in occupancy at 14.9 percent. This is being compounded by the 17.37 percent decrease in ADR. This conflagration of effects is leading to a 29.7 percent decrease in RevPAR. Even once demand turns the corner it will take this region years to recover to 2008 rates.

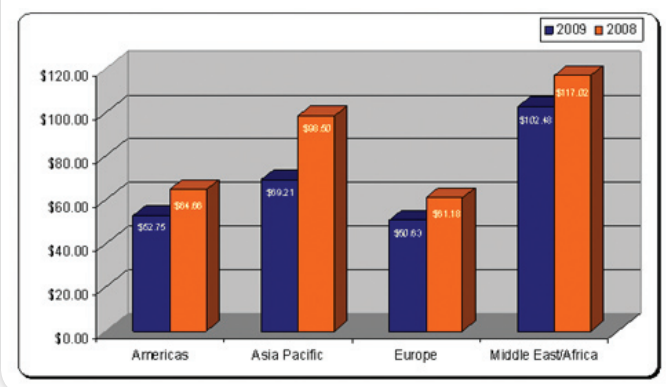
Global ADR Comparison



Global Occupancy Comparison



Global RevPAR Comparison



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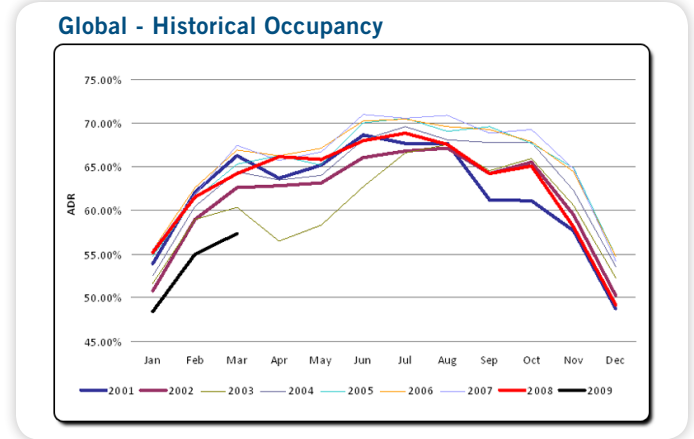
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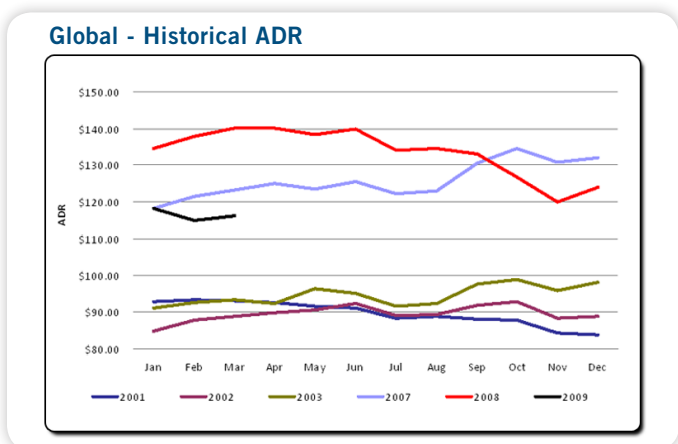
Finally, hoteliers in Europe are following the Americas into bad habits. This region is experiencing a 9.58 percent decrease in ADR. And, while it has the lowest decrease in occupancy at 8.97 percent, the ADR decrease is leading to RevPAR decreases of 17.24 percent.

Eight years have passed since the last time hotel demand diminished drastically. And, based upon this evidence our hotels are eight years older but we certainly aren't any wiser.

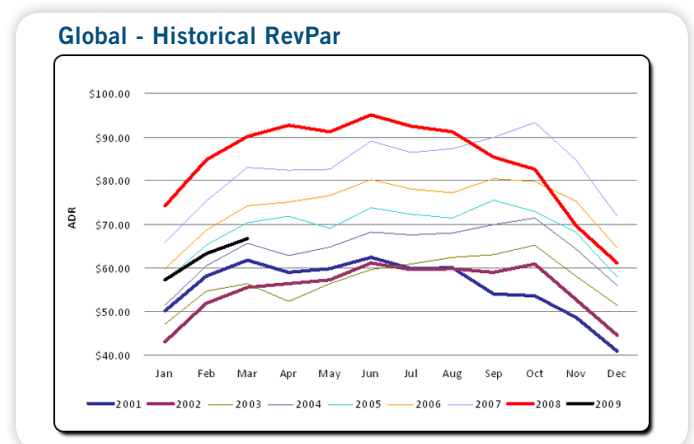
In these charts, global ADR's are compared from 2001 - 2003 and 2007 - 2009. As you can see, the absolute values are significantly higher than they were in 2001. Since we can't compare absolute values, we should focus on the the percentage of change.



Additionally, global occupancies in the first quarter of 2009 dropped to lows last seen shortly after September 11th.



Lower occupancies combined with panicking hotels lowering rates are combining to drive profits lower and lower.



As it is a historic date, we can use September 11, 2001 as our starting point. Although rates started slipping due to a softening economy prior to September 11, the drop after that date was at first slow and then crippling. By the first quarter of 2002, rates had slipped 8 percent year over year. However, in April of 2002, rates began to recover and by September of 2002, rates eclipsed 2001 and never looked back.

Now, if we look at the current crisis, we can use another date in September as our starting point. September 15, 2008 is the day Lehman Brothers filed for bankruptcy. While the reduction in rates in October was milder at just over 5 percent by November & December this had slipped to 8 percent. January dipped further at over 12 percent, February slipped even further with a 16 percent decrease and March tipped the scales at over 17 percent decline. Unlike in 2001 where the ADR decline began to stabilize into the first quarter of 2002, slippage has continued into the 1st quarter of this year.



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We cannot turn back the hands of time and stop the economic crisis. What we can do as an industry is not panic and not turn back the hands of time on rate. By learning the lessons of the last nine years, we can stem the flow and hopefully stabilize rates in an effort to position our industry better to recover. If we don't, then we will further weaken the industry and place ourselves in an even worse position to recover long term. ■



Kristi White is Director of Revenue Optimization for TravelCLICK. An industry veteran, she leads one of the most unique organizations within TravelCLICK, the Revenue Optimization Team. Her team is 100% dedicated to providing personalized attention to TravelCLICK iHotelier customers to maximize each hotel's transactions revenue through best practices in marketing and distribution. A recognized expert

in her field, Kristi is a frequent speaker on revenue management and distribution at industry conferences and hospitality schools. She is also a member of the Board of Directors for the HSMIA Revenue Management Special Interest Group. Kristi holds a B.A. in political science from Louisiana State University and a Certified Hospitality Sales Professional and Certified Hospitality Supervisor certification from the American Hotel and Lodging Association. She can be contacted at 817-719-2956 or kwhite@travelclick.net



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