



Fully booked or beds to fill?

Outlook for the lodging, booking, and travel agency sector



To say that the travel industry took a beating during the pandemic would be the understatement of the decade. With the travel drought officially over, the global hospitality market is expected to grow above a CAGR of 10.24% through 2028¹. This white paper gives business owners in the Canadian travel industry a detailed look at where the hotel and motel, travel agency and hotel booking industries are today and what emerging trends will be responsible for no-vacancy signs.

Introduction | 3

The industry today | 4

Trends to watch | 6

How to build a loyal customer base | 8

Be a top business in your industry | 9

(1) <https://www.globenewswire.com/en/news-release/2022/10/03/2527000/0/en/At-10-24-CAGR-Hospitality-Market-Size-Worth-6716-3-Billion-by-2028-Comprehensive-Research-Report-by-Facts-Factors.html>

Introduction

While consumers quickly shifted to staycations and virtual vacays in 2020, hotel and motel owners dealt with empty rooms and ongoing business costs during the pandemic. Without guests for nearly two years, many hotel and motel workers moved on to other positions or industries. As a result, some operators are still focusing on staffing shortages instead of turning their attention to recent travel industry trends.

Most people severely limited business and leisure travel in 2020-21. When restrictions began to disappear in late 2021, there was a huge pent-up demand to reconnect with customers, family, and friends in person again.

Investments in new hotel and motel construction and remodeling are increasing, with concerns over construction labor and material shortages subsiding.

As of July 2022, 5,220 (a 9% increase over 2021) new hotels with 621,268 rooms (a 4% increase over 2021) are under construction².

Industry revenue is expected to grow by nearly 11% or \$13 billion through 2027 as families and companies start making hotel and motel reservations again. As a result, Canadian travel industry employment is projected to increase by 5.6% to nearly 20,000 total employees³.

Over the last five years, the travel industry has expanded online booking and reservation services for consumers. In addition, many operators offer travel support services such as tours and local events, and nearly 9% rely on food and beverage sales as an added revenue stream³.

(2) <https://insights.ehotelier.com/global-news/2023/02/02/canada-ends-2022-with-record-project-counts-of-the-hotel-construction-pipeline/>
(3) IBIS World Data — 72111-CA Hotels and Motels



Before discussing how operators can leverage these trends, it's essential to understand both interrelated subcategories of the travel industry.

Hotels and motels - provide room booking services, guest room rental, and all associated services, such as housekeeping, cleaning, guest services, and property maintenance.

Travel agencies – provide room booking services and other travel-related services, including cruises, airline tickets, and local excursions. The travel agent offers one point of contact for weary leisure and business travelers.

Current state of the hotel/motel, travel agency industries

As we examine the industry revenue and segments, each subcategory will be listed separately for clarity and comparison purposes.

Hotels and motels³

Category	Amount	16-21 Growth	21-26 Growth
Revenue	\$11.3 billion	-9.0%	13.0%
Profit	\$1.1 billion	-12.3%	7.8%
Wages	\$4.2 billion	-5.3%	10.4%
Companies	8,358	-1.6%	6.0%
Employees	136,00	-5.9%	9.7%

Travel agencies⁴

Category	Amount	17-22 Growth	22-27 Growth
Revenue	\$1.8 billion	-7.1%	9.6%
Profit	\$87.6 million	-19.3%	8.7%
Wages	\$986.2 million	-3.4%	6.4%
Companies	4,398	-2.8%	-2.4%
Employees	18,031	-4.7%	5.6%

Thanks to the pandemic, both travel industry sectors saw a 7-9% revenue decrease through the end of 2021. While hotels and motels saw profits drop more than 12%, travel agents experienced profit losses of nearly 20%. The disparity stems from the fact that while the hotelier must deal with the revenue loss created by empty rooms, the travel agent must also deal with revenue loss from the unbooked tours, excursions, and airline ticket sales associated with most travel itineraries.

As a result of the pandemic travel restrictions, both wages and the number of travel industry employees declined by 4-6% through the end of 2021. While there was no significant change in the number of hotels and motels in the travel industry, the number of active Canadian travel agents will continue to decline over the next five years.

(3) IBIS World Data – 72111-CA Hotels and Motels
 (4) IBIS World Data – 56151-CA Travel Agencies

Major travel industry players

Hotels and motels³

Company	Revenue	Market Share
Marriott International Inc	\$537.9 million	4.7%
InterContinental Hotels Group	\$198.7 million	1.8%
Wyndham Hotel and Resorts	\$100.6 million	0.9%
Hilton Worldwide Holdings	\$86.6 million	0.8%

Marriott International operates in several countries, with 16 locations in 5 different Canadian provinces⁵. Marriott owns several brands, including the Marriott, the Ritz-Carlton, Renaissance, TownePlace Suites, and Courtyard. In 2020, Marriott operated 585,132 rooms across 2,149 properties.

InterContinental owns several brands, including Holiday Inn, Kimpton Hotels, Crowne Plaza, and InterContinental. IHG owns more than 4,000 hotels with nearly 500,000 rooms, of which 20% are within Canada.

Wyndham Hotels and Resorts currently operates 500 locations across Canada. The chain operates across 30 major brands, including Super 8 Motels, Ramada, Knights Inn, Days Inn, and TraveLodge.

Hilton Worldwide brands include Hilton, Hilton Garden Inn, Doubletree, Embassy Suites, and Hampton Inn. Currently Hilton operates 183 locations across ten different Canadian provinces and territories⁶.

Since no player holds a significant share of the market, the travel industry remains highly fragmented and must compete with local niche, boutique, or specialty hotels and motels. These industry leaders cater to customers, including business, corporate, leisure, and now “bleisure” (business + leisure) travelers.

Travel agencies⁴

Company	Revenue	Market Share
HIS Co. Ltd.	\$242.9 million	13.6%
Expedia	\$225.0 million	12.6%
Booking Holdings Inc.	\$1571 million	8.8%
Transat AT Inc	\$8.7 million	0.5%

HIS Co. Ltd is a Japan-based travel agency with over 200 retail outlets in 66 countries, specializing in low-cost tour packages for both leisure and business travelers.

Expedia (a BBB Accredited Business) works under various brands, including Travelocity, Worldwide Travel Exchange, Orbitz, Trivago, and Classic Vacations.

Booking Holdings (formerly operated as Priceline) also owns TripFilter, and Kayak and services 1.5 million properties worldwide.

Hotel and motel products/services segmentation³

Industry data suggests that guest room rentals will make up nearly 80% of industry revenue through 2027. Locations with a bar or restaurant report that 17.6% of revenue comes from food and drink sales. Other activities or services, such as local excursions and rental cars, make up the balance.

Property size	Industry revenue
Five and four-star rooms	63.2%
3-star and lower rooms	14.6%
Food and beverage sales	17.6%
Conference room rentals	4.6%

(3) IBIS World Data — 72111-CA Hotels and Motels

(4) IBIS World Data — 56151-CA Travel Agencies

(5) <https://www.scrapehero.com/location-reports/Marriott%20Hotels%20%20Resorts-Canada/>

(6) <https://www.scrapehero.com/location-reports/Hilton%20Group%20Hotels%20%20Resorts-Canada/>

Smaller hotels typically favor small metropolitan areas with quick access to the airport. These properties usually cater to business travelers or vacationers looking to save money.

Many locations offer varying levels of service (economy, business economy, corporate) and amenities for their guests. Many major hotel and motel chains introduced service tiers in the 1980s to accommodate small to medium-sized companies' travel needs and budgets. During the pandemic, the practice grew as hoteliers everywhere attempted to cater to more potential travelers³.

From 2016-21, extended-stay hotels became increasingly popular for corporate events such as conferences and retreats³.

Travel agencies products/services segmentation⁴

Product	Industry revenue
Tours/package travel	25.8%
Cruises	22.3%
Airline travel	20.6%
Accommodation bookings	8.6%
Other services*	21.6%

Product	Industry revenue
Domestic & international flight bookings	34.4%
Tours and travel packages	34.6%
Accommodation bookings and travel insurance	10.8%
Cruise bookings	6.9%
Transportation services	2.4%
Lodging services	7.9%
Other services	3.9%

One-third of travel agency revenue comes from airline tickets since Canadian travelers must purchase airline tickets directly through the airline or a licensed travel agent or agency. Another third of industry

revenue comes from travel packages which typically include flights, lodging, and excursions for additional savings. Hotel and motel bookings make up less than 20% travel agent revenue.

*Other services include rental cars and other travel products such as travel insurance, travelers' checks, foreign exchange, and prepaid meals.

Hotel/motel market segmentation chart³

Traveler	Industry revenue
Domestic leisure travelers	68.8%
International leisure	5.3%
Domestic/international business	24.1%
Other	2.0%

Travel agency market segmentation⁴

Traveler	Industry revenue
Other destinations	51.7%
Domestic travel	25.4%
Traveling to the U.S.	22.9%

Other destinations include Canadians traveling to other countries, not including travel to the U.S., and nonresidents entering Canada.

The data shows that most international travelers come from Europe (France, Germany, and the UK), with many travelers coming from Asia, India, and China, too.

Nearly four out of every five trips are for leisure activities such as vacation, visiting family/friends, shopping, fine dining, or specific landscapes such as the beach or mountains.

(3) IBIS World Data — 72111-CA Hotels and Motels
 (4) IBIS World Data — 56151-CA Travel Agencies

Trends to watch the next few years

The travel industry recovery will continue through 2026 as revenue should increase by 10% or more across both subcategories of the travel industry.

- \$1.47 billion for hotels and motels,
- \$3.71 billion for travel agents

Or \$5.18 billion more available for operators who can leverage the emerging industry trends to grow their customer base and increase revenues.

1 Business, leisure, or bleisure?

Mask mandates and travel quarantines kept many leisure and business travelers at home in 2020-21. As a result, video conferencing became the norm for companies, while families put their travel plans on indefinite hold.

This pent-up travel demand will drive a noticeable increase in consumer spending through 2026, helping fuel the industry's pandemic recovery. In addition, inbound international travel trips could increase by 21.1% over the next five years³.

Over the last few years, the bleisure travel market has continued to expand. According to Exploding Topics⁷, searches for "workcation" have increased by 4,500% over the last five years. And more than 50% of business travelers surveyed would extend their business trip to spend personal time enjoying local attractions and amenities.

According to CircleLoop⁸, Canada's digital nomad score (74.35) outranks every other country by at

least 10 points. Perhaps that's one reason why 5% of digital nomads worldwide, or 1.75 million digital nomads, call Canada home⁹. A digital nomad is very similar to a bleisure traveler except that the nomad typically doesn't have a home to which to return.

2 Hotel and motel construction and remodeling

Investments in new hotel/motel construction are on the rise again, fueled partially by increased international traveler demands from emerging world economies.

Lodging Econometrics (LE) expects 267 hotels with 35,758 rooms to open in 2024 for a 1.1% Canadian supply increase. Upscale and upper-midscale chains lead the hotel construction boom, accounting for 67% of new hotel projects².

LE also reports 105 renovation or conversion projects completed in 2022, totaling nearly 12,481 rooms. These numbers represent an increase of 59% in projects and a 48% increase in rooms year over year².

3 Online dynamic pricing models

While hotels and motels began offering online booking services in 1994, the online trend gained traction after Travelocity (1996) became the first website to allow consumers to reserve and purchase tickets through the website (Travelocity is a BBB Accredited Business). Expedia and Priceline quickly followed, and the rest was history.

(2) <https://insights.ehotelier.com/global-news/2023/02/02/canada-ends-2022-with-record-project-counts-of-the-hotel-construction-pipeline/>

(3) IBIS World Data — 7211-CA Hotels and Motels

(7) <https://explodingtopics.com/blog/travel-industry-trends>

(8) <https://www.circleloop.com/nomadindex>

(9) <https://www.twoticketsanywhere.com/digital-nomad-statistics/>

With dynamic pricing, owners accept a discounted rate to help keep the no vacancy sign lit.

Dynamic pricing¹⁰ uses two elements to establish a price quote.

1. First, it looks at traditional pricing criteria such as availability, load factors, and overall demand for the product. This scenario explains why you can get a different price every time you perform a new search.

2. The second element involves the traveler's preferences and budget. Dynamic pricing engages the traveler's data to generate a compatible fare based on past expenditures.

Dynamic pricing affects the commissions paid out to travel agents and can become problematic when explaining to consumers why prices quoted have increased⁸.

4 Increased local competition

More prominent players can expect increased competition at the local level thanks to numerous ranking and review sites and social media platforms³.

Low-cost or budget establishments should also see revenue increases as solo travel expands and families and frugal executives attempt to maximize their travel budgets³.

As travel ads focus less on luxury and more on the travel experience, specialty operators can expect increased interest and bookings. As a result, boutiques, spas, and health retreats should see

continued growth and profits moving forward through 2026³.

Of course, outside influences such as inflation, severe weather, and global events remain the great variables in all this good news for the travel industry.

Next steps

Staying on top of travel industry trends discussed today allows your business to remain fluid as you grow your customer base and increase revenues.

The BBB website is full of resources to help you start, manage, or expand your business. You'll always have access to the latest business developments and insurance industry trends, from industry white papers to effective marketing strategies. And your BBB Accreditation lets your potential customers and potential employees know that you're committed to building a better business.

Learn more about the benefits of BBB Accreditation at [BBB.org/get-accredited](https://www.bbb.org/get-accredited)

Just getting started with a new business in the travel industry? Check out BBB's Starting a New Business hub: [BBB.org/NewBiz](https://www.bbb.org/newbiz)

(3) IBIS World Data — 72111-CA Hotels and Motels

(10) <https://www.travelprofessionalnews.com/16-top-challenges-facing-travel-professionals-in-2022-and-beyond/>

How to build a loyal customer base

Create a Customer-First Mentality

With limited face-to-face interactions, it's important to step up your customer service game. Make time for your customers by maintaining transparency, communicating consistently, and answering questions.



Personalize Your Communication

A Segment survey found that 71 percent of consumers get frustrated by impersonal encounters by companies. Earn your customer loyalty by building and delivering an authentic, personalized experience.



Start a Community

With social media abundant, Entrepreneur recommends creating an online community that encourages customer engagement and user-generated content, such as final product photos taken and shared by customers.



Respond to Reviews and Complaints

Whether it's a one-star rant or a five-star cheer, it's up to the business to respond positively and openly. Choosing to answer each review promptly and kindly can increase trust in your brand.



Honor Promises

Whether there are supply issues, price quotes, or unforeseen mistakes, work to keep the line of communication open with customers. By honoring promises and operating with transparency, you're building trust.



**THE SIGN OF A
BETTER
BUSINESS***

What business owners like about BBB

- 1 Accredited Business **status on BBB.org**
- 2 Use of the **Accredited Business Seal**
- 3 BBB **Customer Reviews**
- 4 BBB **Dispute Resolution**



Be a Top Business in Your Industry

We asked businesses how BBB Accreditation impacts them. Here are their responses...

- 1 Accreditation increases the **credibility** of my business
- 2 Accreditation shows **integrity** in our business practices
- 3 Accreditation builds consumers **trust**
- 4 Accreditation increases my **visibility** as a reputable business
- 5 Accreditation shows **we care** about our customers

KATHERINE
Service Team Member



THE SIGN OF A BETTER BUSINESS*

Business owners also said the BBB Accredited Business Seal shows they are...

- **reputable**
- **trustworthy**
- **honest**

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