



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 U.S. 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.

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(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 COVID-19 restrictions began to lift in late 2021, there was 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) were 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 with increasing frequency. As a result, U.S. travel industry employment is projected to increase by 7.1% to 1.9 million 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://lodgingeconometrics.com/hotel-construction-pipeline-projects-up-slightly-year-over-year/>

(3) US INDUSTRY (NAICS) REPORT 72111 / ACCOMMODATION AND FOOD SERVICES Hotels & Motels in the US, Report by: Jared Ristoff | September 2021



Before discussing how operators can leverage these trends, it's essential to understand three interrelated sub-categories 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.

Online hotel booking companies – provide reservation, confirmation, and cancellation services for room rentals. Additional travel services vary by company and location.

Current state of the hotel/ motel, travel agency, and online booking industries

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

Hotels and motels³

Category	Amount	15-21 Growth	21-26 Growth
Revenue	\$133.0 billion	-7.6%	10.8%
Profit	\$4.1 billion	-35.3%	7.8%
Wages	\$43.0 billion	-1.9%	7.8%
Companies	84,409	0.1%	4.2%
Employees	1 million	-3.3%	7.1%

Travel agencies⁴

Category	Amount	15-21 Growth	21-26 Growth
Revenue	\$34.6 billion	-4.9%	10.8%
Profit	-\$3.5 billion	-10.2%	8.7%
Wages	\$11.0 billion	-4.2%	9.7%
Companies	62,863	4.2%	8.3%
Employees	200,000	-2.4%	9.4%

Online hotel booking⁵

Category	Amount	15-21 Growth	21-26 Growth
Revenue	\$21.3 billion	-9.1%	10.0%
Profit	\$871.7 million	-11.6%	9.3%
Wages	\$6.9 billion	-6.1%	7.7%
Companies	2,922	-3.4%	3.8%
Employees	120,000	-5.8%	7.1%

Thanks to the pandemic, all three travel industry sectors saw a 5-9% revenue decrease through the end of 2021. Travel agents and online booking services experienced a profit loss of approximately 10%, and hotels and motels saw profits drop more than 30%. The disparity stems from the fact that hotel and motel operators must still contend with operating costs whether or not the room gets rented.

Wages dropped across all three sectors, but the lost revenue for travel agents and online booking services was more than double the decrease for hotel and motel employees.

While there was no significant change in the number of companies in the travel industry, the number of employees decreased from 2-6% industrywide.

(3) US INDUSTRY (NAICS) REPORT 72111 / ACCOMMODATION AND FOOD SERVICES, Hotels & Motels in the US, Report by: Jared Ristoff | September 2021

(4) US INDUSTRY (NAICS) REPORT 56151 / ADMINISTRATION, BUSINESS SUPPORT AND WASTE MANAGEMENT SERVICES, Travel Agencies in the US Report by: Jullian Guirguis | November 2021

(5) US SPECIALIZED INDUSTRY REPORT OD5112 / ONLINE RETAIL Online Hotel Booking, Report by: Thi Le | June 2021

Major travel industry players

Hotels and motels³

Company	Revenue	Market Share
Marriott International Inc	\$509.3 million	0.4%
Hilton Worldwide Holdings Inc	\$219.5 million	0.2%
InterContinental Hotels Group	\$4.5 million	>0.1%
Wyndham Hotel and Resorts	\$2.9 million	>0.1%

Marriott International operates in several countries, and 62.3% of all rooms worldwide are in the USA. Marriott owns several brands, including the Marriott, the Ritz-Carlton, Renaissance, and Courtyard.

Hilton Worldwide brands include Hilton, Hilton Garden Inn, Doubletree, Embassy Suites, and Hampton Inn. Despite their global network, 71% of all Hilton rooms are in the US.

InterContinental owns several brands, including Holiday Inn, Kimpton Hotels, Crowne Plaza, and InterContinental. However, according to industry data, only 58% of InterContinental properties are in the USA.

Wyndham Hotels and Resorts report that 60.8% of its revenue comes from US properties. Wyndham brands include Super 8 Motels, Ramada, Knights Inn, Days Inn, and Travelodge.

Since no player holds a significant market share, 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
Expedia	\$6.0 billion	13%
Booking Holdings Inc.	\$1.2 billion	3.6%
Carlson Wagonlit Travel	\$1.5 billion	0.6%
American Express Company	\$37.4 million	0.1%

Online hotel booking⁵

Company	Revenue	Market Share
Booking Holdings Inc.	\$6.8 billion	38.2%
Expedia	\$6.4 billion	30.1%
TripAdvisor	\$525.4 million	2.5%

The same two companies dominate both sectors, which shouldn't be surprising since both provide similar products and services.

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.

(3) US INDUSTRY (NAICS) REPORT 72111 / ACCOMMODATION AND FOOD SERVICES, Hotels & Motels in the US, Report by: Jared Ristoff | September 2021

(4) US INDUSTRY (NAICS) REPORT 56151 / ADMINISTRATION, BUSINESS SUPPORT AND WASTE MANAGEMENT SERVICES, Travel Agencies in the US Report by: Julian Guirguis | November 2021

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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 9.3% 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
Less than 75 rooms	20.2%
More than 75 rooms	59.7%
Between 300-500 rooms	6.9%
More than 500 rooms	8.4%

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 money³.

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%

Online hotel booking products/services segmentation⁵

Product	Industry revenue
Hotel/accommodation bookings	71.5%
Advertising	12.4%
Other booking services	4.7%

Less than 10% of travel agent revenue comes from booking accommodations, compared to online hotel booking services at over 70%.

Online hotel booking services generate 12.4% of their income (\$2.6 billion) from selling advertising space on their websites to other travel-related products and vendors.

*Other services include rental cars (1.1%) 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	67.7%
International leisure	17.1%
Business travelers	8.9%
Meeting/event travelers	6.3%

Travel agency market segmentation⁴

Traveler	Industry revenue
Domestic leisure travelers	38.4%
International leisure	19.0%
Corporate	40.8%

Online hotel booking market segmentation⁵

Traveler	Industry revenue
Leisure	51.2%
International	21.6%
Business	16.5%
Business advertising	10.7%

Nearly 4 out of every 5 trips are for leisure activities such as vacation, visiting family/friends, shopping, fine dining, or specific landscapes such as the beach or mountains.

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(4) US INDUSTRY (NAICS) REPORT 56151 / ADMINISTRATION, BUSINESS SUPPORT AND WASTE MANAGEMENT SERVICES, Travel Agencies in the US Report by: Jullian Guirguis | November 2021

(5) US SPECIALIZED INDUSTRY REPORT OD5112 / ONLINE RETAIL Online Hotel Booking, Report by: Thi Le | June 2021

Trends to watch the next few years

The travel industry recovery will continue through 2026 as revenue should increase by 10% or more across all three sub-categories of the travel industry.

- \$14.36 billion for hotels and motels;
- \$3.73 billion for travel agents;
- \$2.13 billion for online hotel booking companies;

Or a total of \$20.22 billion 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 2.5% increase in consumer spending through 2026, helping fuel the industry's pandemic recovery. As a result, domestic travel should see an increase of 9.4%. In addition, inbound international travel trips could increase by 22.7% over the next five years³.

Over the last few years, the bleisure travel market has continued to expand. According to Exploding Topics⁶, 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.

The report also notes that 5 million “digital nomads” are working in the US, which has only gotten more popular because of the pandemic and the “great resignation”. 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 expects 848 hotels with 93,581 rooms to open in 2024 for a 1.6% US supply increase. Upscale and upper-midscale chains lead the hotel construction boom, accounting for 63% of new hotel projects².

LE also reports 1,420 renovation or conversion projects scheduled for 2023, totaling nearly 185,000 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://lodgingeconometrics.com/hotel-construction-pipeline-projects-up-slightly-year-over-year/>

(3) US INDUSTRY (NAICS) REPORT 72111 / ACCOMMODATION AND FOOD SERVICES, Hotels & Motels in the US, Report by: Jared Ristoff | September 2021

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

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

Dynamic pricing⁷ 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 increased⁷.

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) US INDUSTRY (NAICS) REPORT 72111 / ACCOMMODATION AND FOOD SERVICES, Hotels & Motels in the US, Report by: Jared Ristoff | September 2021
(7) <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
BUSINESSSM**

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 BUSINESSSM

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

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

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