



A NEW ERA FOR U.S. HOTELS

THE AMERICAN HOTEL & LODGING ASSOCIATION
2023 STATE OF THE HOTEL INDUSTRY REPORT

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FOREWORD

In 2020, the hotel industry was on the brink of collapse.¹ Nearly three years later, thanks to the resilience of hoteliers across the country, **America's hotels are poised to begin a new era in operations** – one where challenges such as staffing shortages and economic factors including inflation and borrowing costs replace COVID as top concerns.

A year ago, we anticipated that 2022 would be an uneven and volatile year for hotel recovery.² At the beginning of the year, concerns around new virus variants and outbreaks hampered travel demand, particularly the return of meetings and group business. At the same time, supply chain issues and staffing shortages threatened to disrupt hotel operations and service levels.

Amid these headwinds, opportunities arose. The rise of bleisure travelers (a blend of business and leisure) and digital nomads (those who take advantage of remote work policies to explore new destinations) represented a significant shift in consumer attitudes and behaviors, prompting us to identify 2022 as the year of the “new” traveler.² U.S. hoteliers rose to the challenge of catering to these consumers’ changing travel habits and preferences, and over the course of the year, demand nearly recovered to pre-pandemic levels.³

These trends are expected to carry into 2023, and so is the positive momentum of the U.S. hotel industry’s recovery³, provided economic concerns about inflation and a potential recession do not dampen travel demand.

2022 Highlights: Predictions vs. Outcomes

In 2022, we observed the following key developments in the hospitality space:

Leisure led the recovery. Leisure demand – combined with better-than-expected group business performance – drove performance gains in 2022.⁴ By the end of the year, leisure travel revenue for U.S. hotels was expected to exceed pre-pandemic levels by 14%, and business travel revenue was expected to come within 1% of its 2019 comparable.⁵

Meeting and event volumes improved. Knowland initially forecasted that 58.3% of meetings and event activity would recover by the end of 2022, but the sector ended up performing better than expected.⁶ Knowland later revised the forecast, anticipating meeting activity would recover to 73.1% of 2019 levels in 2022 and 106.4% in 2023.⁷

Economic concerns rose to the forefront. In 2022, concerns around inflation and gas prices overshadowed COVID-19 anxieties among Americans making travel decisions. In an October 2022 poll conducted by Morning Consult on behalf of AHLA, 85% of Americans said gas prices and inflation were a consideration in deciding whether to travel over the next three months, compared to 70% who said the same about COVID-19 infection rates.⁸

Bleisure travel grew bigger. In response to the pandemic, organizations adopted more flexible remote working policies, freeing up employees to conduct business from anywhere. This led to a rise in digital nomads who leverage technology to work while exploring new

destinations and bleisure travelers who blend business and leisure during trips. By the end of 2022, the global bleisure tourism market was expected to reach \$497.5 billion.⁹

The labor shortage lingered. Staffing challenges have continued to plague U.S. hotels. In a January 2023 AHLA survey of hoteliers, 79% of respondents indicated a staffing shortage at their property, and 22% identified that issue as severe – a slight improvement from AHLA’s September survey, when 87% of respondents reported a staffing shortage, 36% severely so.¹⁰

2023 Projections at a Glance

Hotels will continue to make significant strides toward recovery. According to an analysis for AHLA by Oxford Economics, 2023 U.S. hotel demand is projected to surpass 2019 levels while revenue is expected to reach new heights on a nominal basis.

- Hoteliers can expect to see continued price increases and supply chain disruptions. AHLA Platinum Partner Avendra reports that market forces will continue to impact the pricing and availability of the products that hotels rely on to operate. While broad inflation as measured by the consumer price index (CPI) has come off its highs of the summer, inflation for hospitality-related products will continue to run 5% to upwards of 10% for the next few quarters, which is more than double the historical average.
- Guests rank cleanliness, price, flexibility, and sustainability as critical; pandemic-era precautions less so. A survey from AHLA Platinum Partner Ecolab reveals consumer preferences and key decision-making factors when booking a hotel. The findings highlight that getting cleaning practices, loyalty programs, and reservation flexibility right will allow hotels to better attract and cater to guests.
- Meetings and events will come back strong. AHLA Platinum Partner Encore reports that the future is bright for group meetings and events: 70% of planners surveyed for the company’s Fall 2022 Planner Pulse Report were either booking or actively sourcing new events, and 61% expected to have larger budgets in 2023.
- Technological advancements will propel the industry forward. The Executive Leadership Group of HTNG, AHLA’s technology arm, suggests that 2023 could be a turning point for the wide-scale adoption of artificial intelligence. In addition, hoteliers may increasingly consider robotics as a solution to ongoing staffing shortages and they will be paying close attention to issues related to sustainability, cybersecurity, and privacy.
- The ancillary service model will gain momentum. According to an analysis by AHLA Platinum Partner Oracle Hospitality, special amenities and upselling are increasingly critical to a hotelier’s revenue strategy. Operators are adopting technology to personalize offers and cater to the unique desires of their guests.

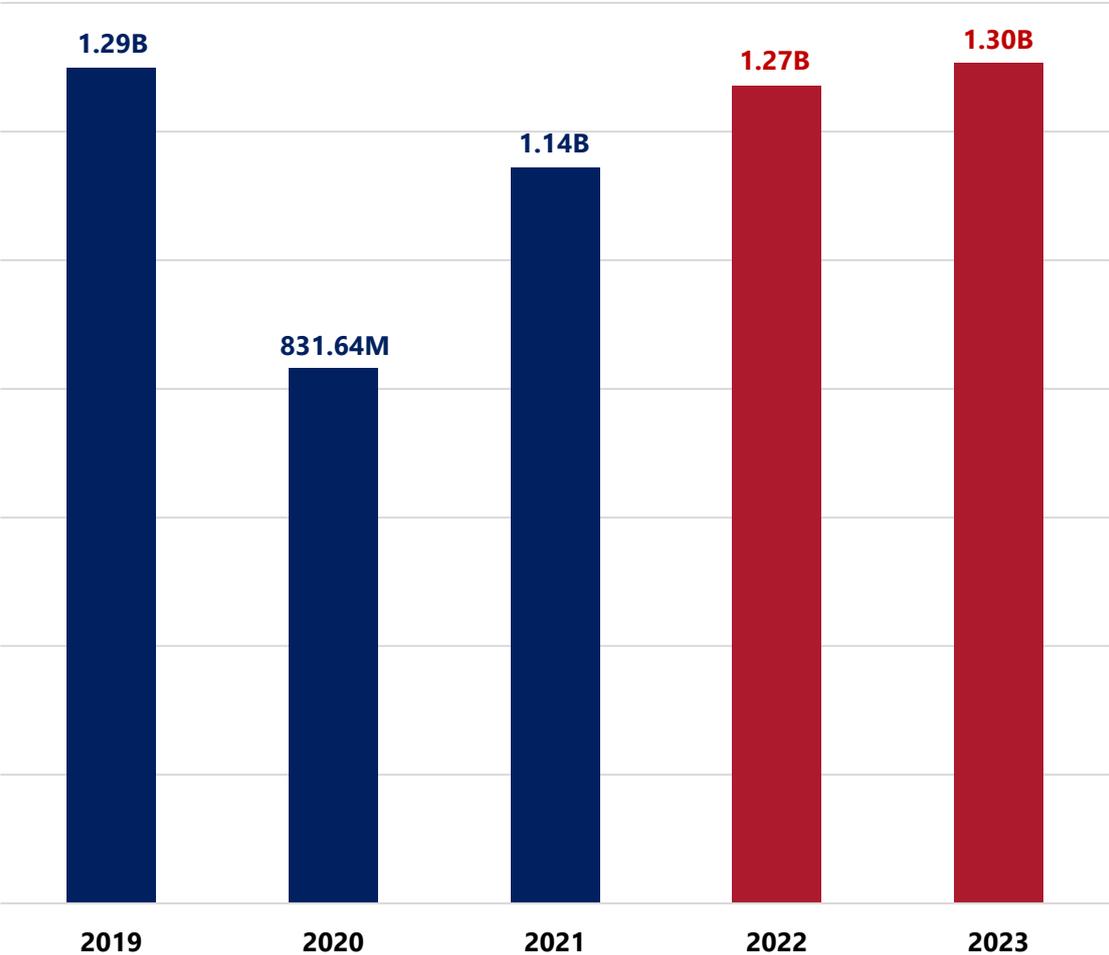
HOTEL INDUSTRY OUTLOOK 2023

Hotel Room Demand

Demand will surpass pre-pandemic levels.

The U.S. hotel industry is projected to achieve 1.3 billion occupied room nights in 2023, slightly exceeding 2019's total. The 2023 projection is a 56.9% improvement over 2020's low of 831.64 million occupied room nights. From 2021 to 2022, U.S. hotel demand improved 11.1%.

Hotel Room Night Demand by Year



Source: Oxford Economics + STR, © 2023 CoStar Group

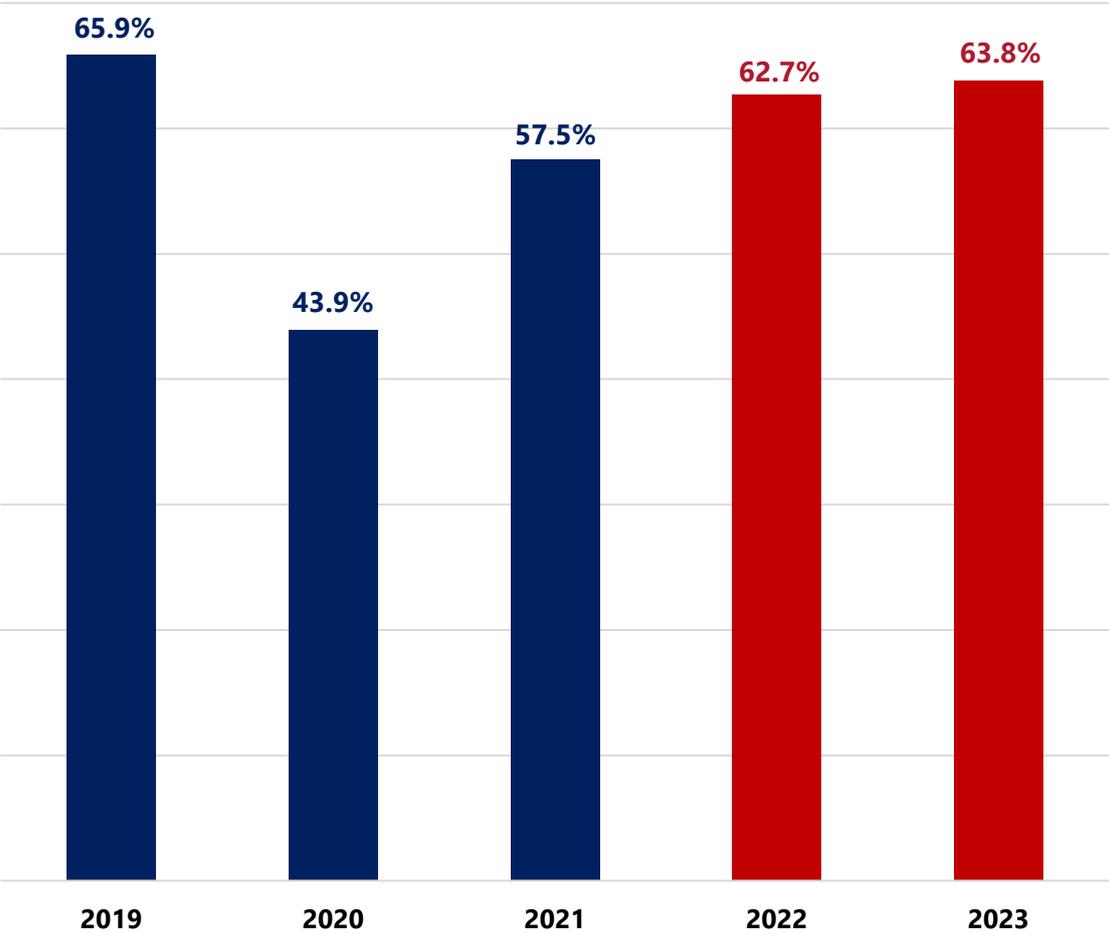
Occupancy

Occupancy will inch closer to recovery.

In early April 2020, more than three quarters of U.S. hotel rooms stood empty, according to STR.¹¹ Nearly three years later, U.S. hotel occupancy has almost recovered and is expected to continue its upward trajectory in the year ahead.

Average U.S. hotel occupancy is projected to reach 63.8% in 2023 – just shy of 2019’s level (65.9%) and a significant improvement over 2020’s historic annual low (43.9%). In 2022, U.S. hotels made significant occupancy gains, reaching 62.7% – a 9% increase over 2021.

Hotel Room Occupancy by Year



Source: Oxford Economics + STR, © 2023 CoStar Group

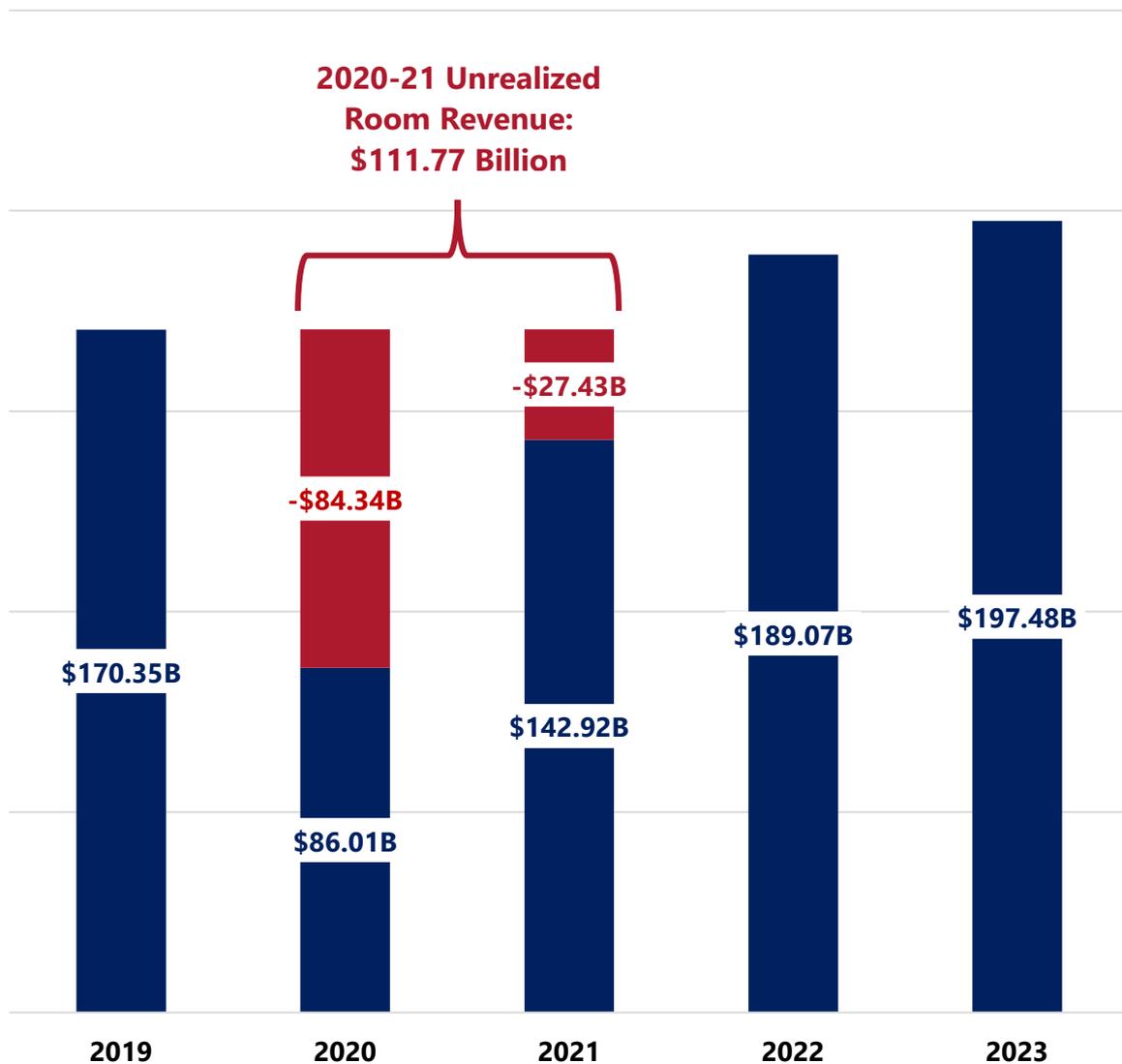
Room Revenue

Room revenue will reach new heights.

The pandemic nearly halved annual room revenue for U.S. hotels, from \$170.35 billion in 2019 to \$86.01 billion in 2020. Room revenue rebounded to \$142.92 billion in 2021 before soaring to \$189.07 billion in 2022, surpassing the pre-pandemic comparable.

This momentum is expected to continue in 2023; U.S. hotel room revenue is projected to reach \$197.48 billion in 2023 – up 4.4% over 2022 and 15.9% over 2019. While these numbers are not adjusted for inflation, and real revenue recovery will likely take several more years, the trendlines are positive.

Hotel Room Revenue by Year



Source: Oxford Economics + STR, © 2023 CoStar Group

Workforce

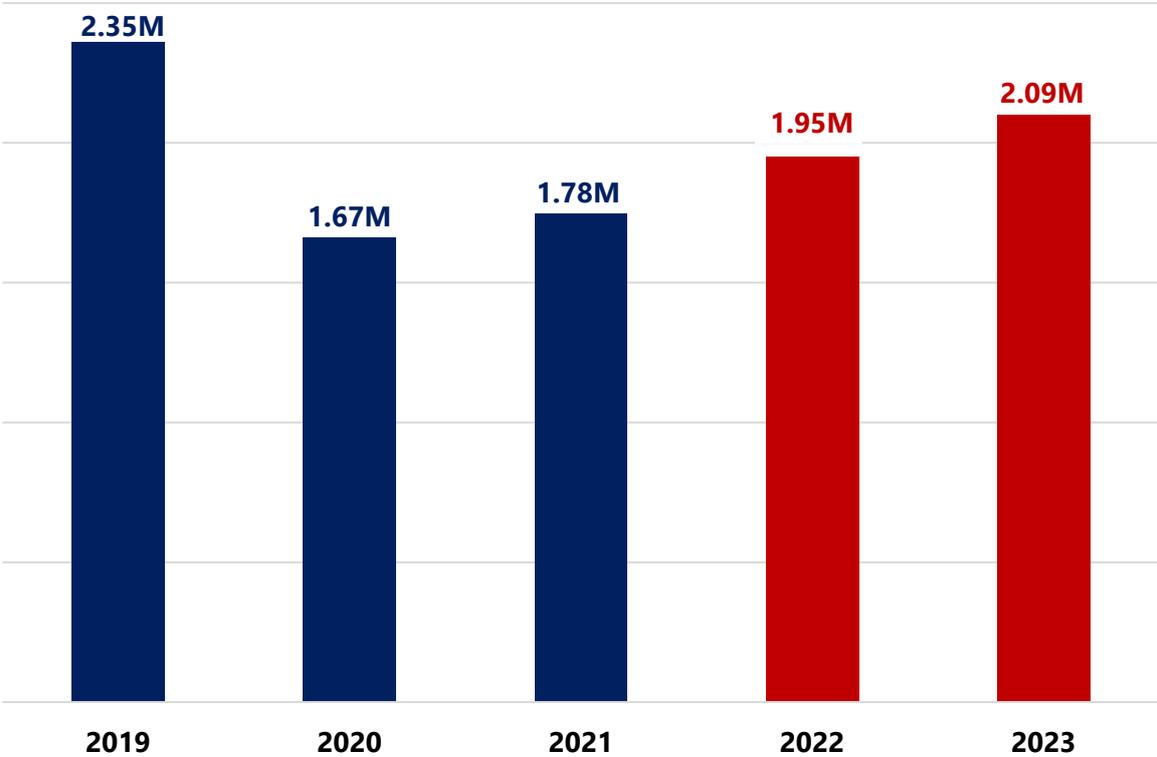
Workforce levels are improving, but staffing remains a challenge.

In one year, the hotel industry lost more than 682,000 direct employees as the pandemic slashed employment levels from nearly 2.4 million in 2019 to almost 1.7 million in 2020. In the years since, the industry’s annual employment number has been inching higher, but still has not recovered. In 2022, U.S. hotels directly employed nearly 2 million people — more than 400,000 fewer than in 2019.

AHLA and the AHLA Foundation are working tirelessly to grow the industry’s talent pipeline and retain workers through innovative events like [National Hotel Employee Day](#), compelling ad campaigns like “[A Place to Stay](#),” and Department of Labor registered [hospitality apprenticeship programs](#). Additionally, AHLA affiliate “Hospitality is Working” recently launched the Workforce & Immigration Initiative. The effort is aimed at urging Congress to address workforce shortages with bipartisan solutions to incorporate more immigrants into the American economy. Learn more about the effort [here](#).

In the year ahead, hotel workforce levels are expected to improve further but not fully recover. Hotels are projected to directly employ nearly 2.1 million people in 2023 – a 7.4% increase from 2022 but still more than 260,000 fewer employees than in 2019.

Direct Hotel Employment by Year



Source: Oxford Economics

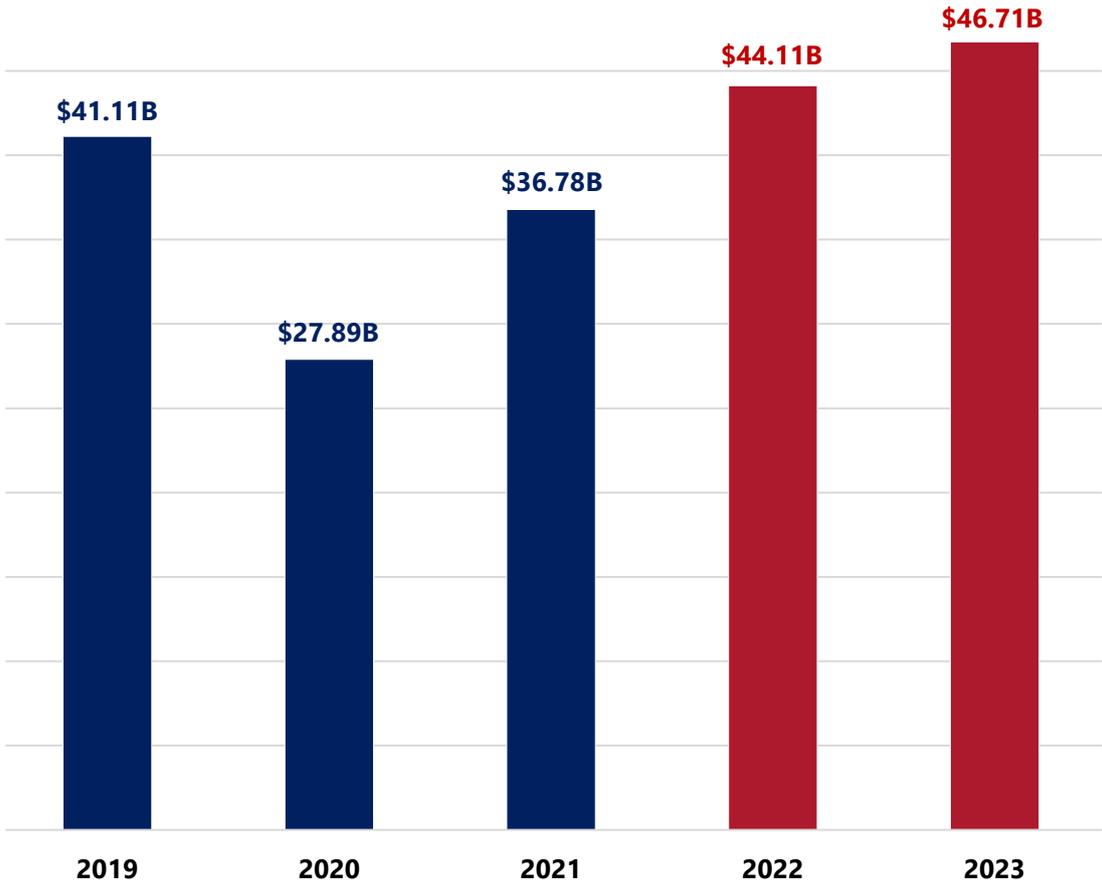
State and Local Tax Revenue

Hotels remain integral to their communities.

The dramatic decline in travel demand in 2020 had a chilling effect on the industry, and in turn, the communities hotels serve across the country, leading to a loss of \$13.2 billion in annual state and local tax revenue and nearly 2.5 million total jobs supported by the industry economy-wide.

As hotels progress toward complete recovery, the communities where they operate are being lifted as well. In 2023, U.S. hotels are expected to generate \$46.71 billion in state and local taxes and support more than 7.6 million jobs throughout the economy.

Hotel-Generated State and Local Tax Revenue by Year



Source: Oxford Economics

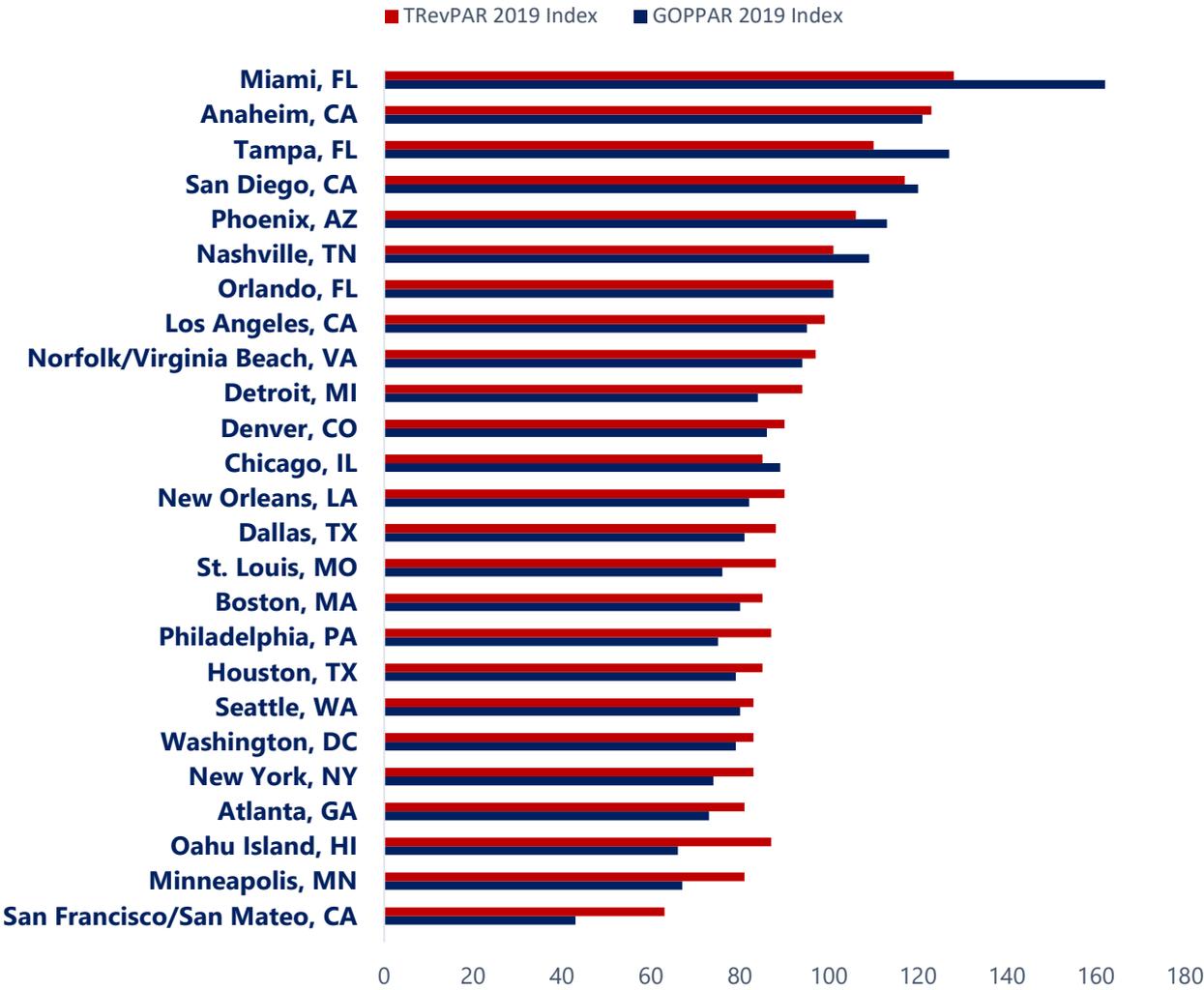
MAJOR MARKETS MADE GAINS IN 2022, BUT MOST HAVEN'T REACHED PRE-PANDEMIC PROFITABILITY

Content from AHLA Platinum Partner STR

Most U.S. hotel markets recovered top-line performance at or beyond 2019 levels in 2022, according to an STR analysis for AHLA. However, the percentage of recovered markets dips when adjusting for inflation and drops further when shifting the focus to profitability. Fortunately, the return of business travel in the fall of 2022 pushed more major markets closer to their pre-pandemic levels in gross operating profit per available room (GOPPAR).

Among the country's 25 largest markets – those generally most dependent on business travel – 18 were below pre-pandemic GOPPAR into the fourth quarter of 2022. All seven of the major markets above their 2019 comparable in GOPPAR (October 2022 year-to-date) share a common characteristic – substantial leisure travel offerings. The top example is Miami, Fla., which was 61% ahead through the first 10 months of 2022. Also making that list were Anaheim and San Diego, Calif.; Tampa, Fla.; Phoenix, Ariz.; Nashville, Tenn.; and Orlando, Fla.

Most Markets Behind Pre-Pandemic GOPPAR Levels U.S. Top 25 Markets, October 2022 Indexed to October 2019 YTD



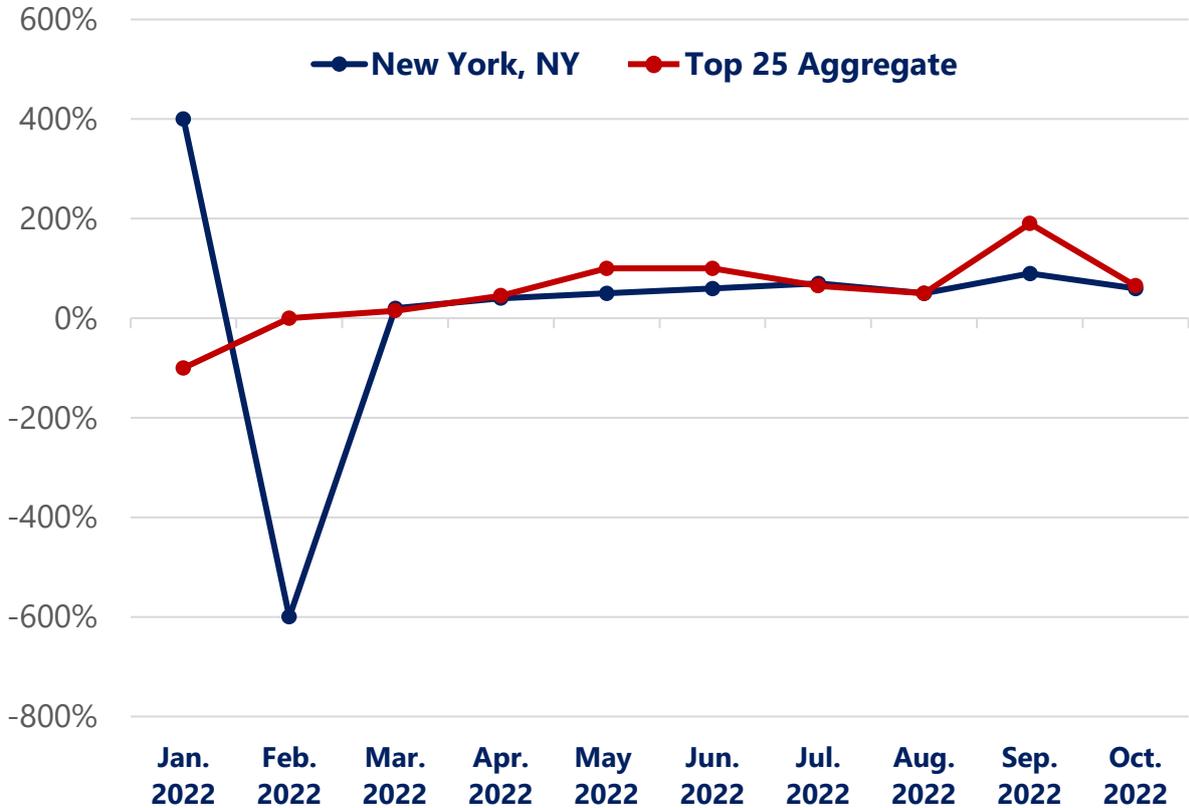
Those markets all increased total revenue but also posted lower expenses with fewer full-time staff and services – especially earlier in the year. As demand continued to ascend throughout the year, more traditional groups and business travelers returned. That meant more services returned, and labor per available room (LPAR) increased.

Staffing shortages, a consistent concern since mid-2021, were partially mitigated by greater reliance on contract labor that further drove LPAR growth. Increased operational costs also cut into profit more as the year went on and inflation remained historically high.

On the other end of the spectrum, 15 major markets hadn’t reached even 90% of 2019 GOPPAR year-to-date through October, with the most extreme deficits in San Francisco, Calif. (43%); Oahu Island, Hawai’i (66%); Minneapolis, Minn. (68%); Atlanta, Ga. (74%); and New York, N.Y. (75%). While there are certainly some leisure components in that group, most are heavily reliant upon business travel, especially the likes of San Francisco and Minneapolis.

Fortunately, most of the major markets saw incremental improvement in top-line performance, and subsequently profitability, as the calendar flipped to the later part of the year. New York is a prime example. Leisure guests were the first to flock to the market, like many others, but the post-summer months brought groups and business travel.

Top 25 GOPPAR Recovery Picked Up Later in the Year
GOPPAR Indexed to 2019, Top 25 Markets and New York City Market



Weekday occupancy (Monday to Wednesday), a key barometer of business travel demand, was just 4% below the 2019 comparable in September and October. Group demand pushed ahead of 2019 levels for several weeks as the market moved closer to its historical profile of a conference-laden autumn following a leisure group-led spring and summer period of weddings, youth travel sports, and the like.

Improvement in the fall months helped push profit margins for the year-to-date period into alignment with pre-pandemic trends. Top 25 Market GOPPAR was \$81 for the first 10 months of 2022, compared with \$89 during the same months in 2019, while the GOP percentage of revenues was 38% compared to 39% in 2019. Again, while returning demand is key, the improvement in margins relative to GOPPAR has plenty to do with efficiencies developed during the pandemic. Overall, profit margins peaked at 42% in April then moderated as the summer season began. Margins were at 33% in August as leisure travel slowed before beginning an upswing as business demand roared back in autumn with September at 38% and October at 41%.

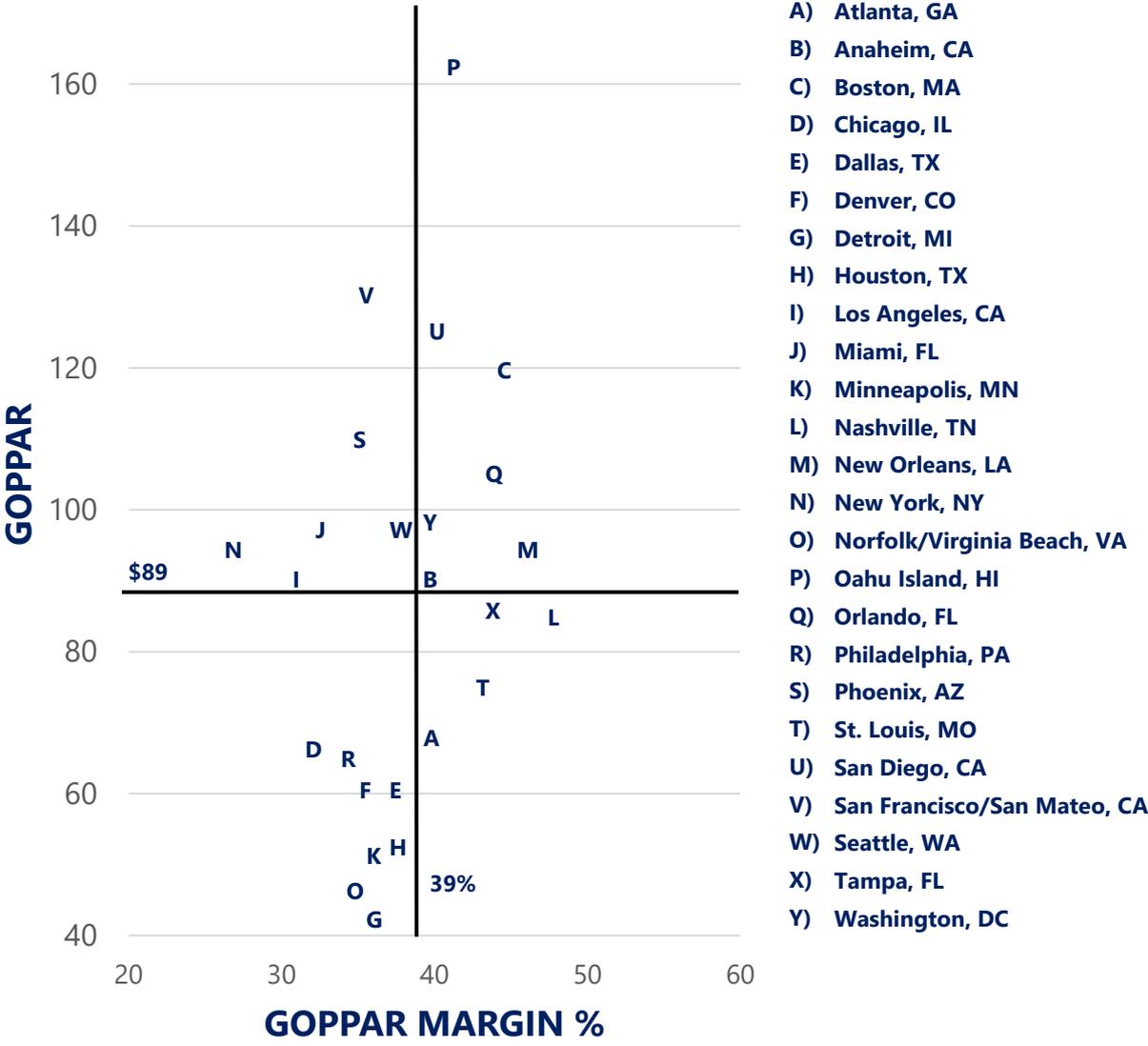
GOP Margins Have Reached Pre-Pandemic Levels

U.S. Top 25 Markets, October 2022



GOP Margins Have Reached Pre-Pandemic Levels

U.S. Top 25 Markets, October 2019 YTD



While business travel has not fully reached pre-pandemic levels, additional signs of encouragement can be found through consumers.

When surveyed as part of STR’s research in November 2022, more than 300 global business travelers combined to demonstrate the best business travel sentiment of the pandemic era.

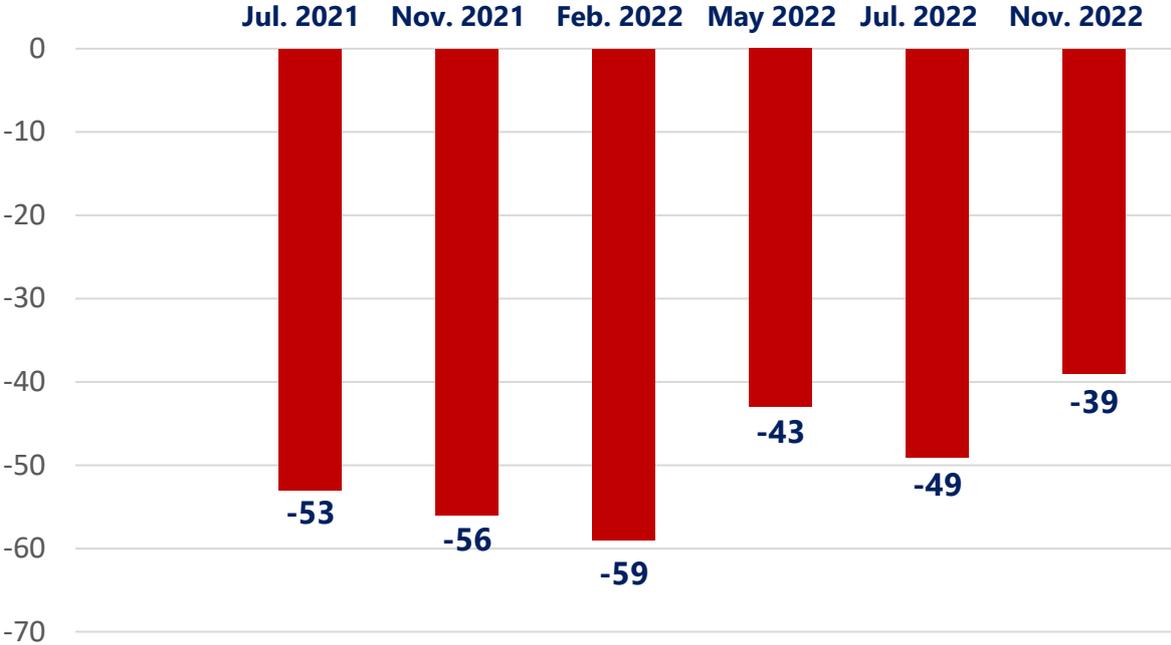
When asked about likelihood to travel for business both now and in the future, net propensity was still in negative territory when compared with pre-pandemic times.

Sentiment, however, has improved substantially over time, with a 10-percentage-point improvement between July and November as well as a 20-percentage-point improvement from the same time last year.

Increasingly positive sentiment coupled with a stabilized long-term outlook for the segment bodes well for its continued return.

Business Travel: Current (Net Propensity)

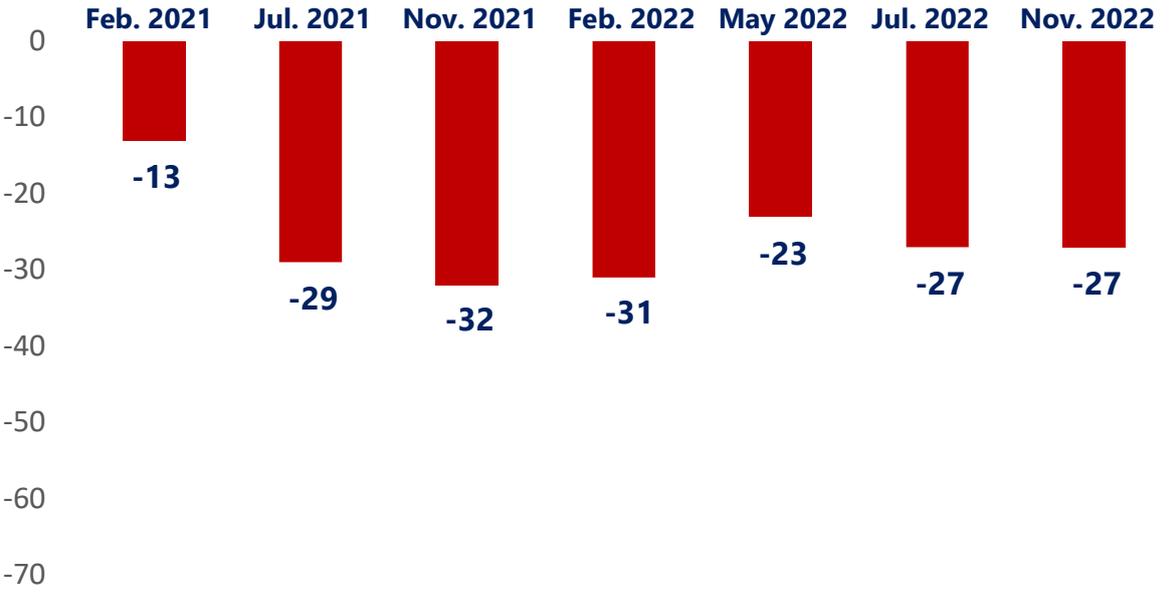
Q: You mentioned traveling for business prior to the pandemic. Thinking about the current situation and how that impacts your views on travel, are you likely to travel more or less for business compared to before the pandemic?



Source: STR, © 2023 CoStar Group

Business Travel: Post-COVID-19 (Net Propensity)

Q: Now thinking further ahead about overnight business travel, when the pandemic is completely over, are you likely to travel more or less for business compared to your pre-pandemic levels?

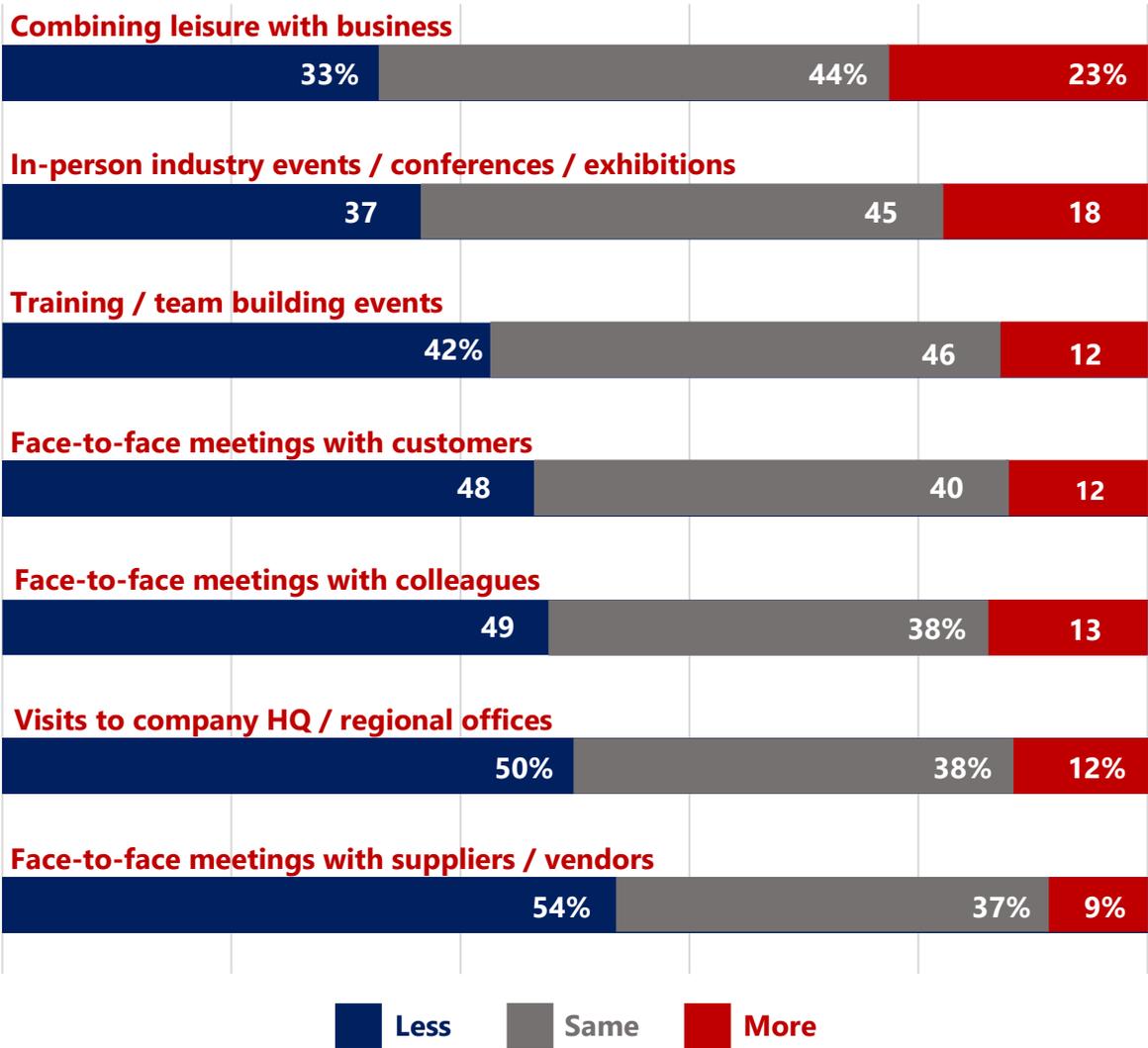


Source: STR, © 2023 CoStar Group

Further, combination business/leisure trips (“bleisure”) top the list as the type of business travel consumers are most likely to take. Two-thirds expect to take the same or more combo trips compared with 2019. Industry events are a close second among business travel consumers, and consumer sentiment on corporate events is echoed in performance data as well, with group demand jumping from 65% of the pre-pandemic level in Q1 2022 to 93% in Q3 2022.

Types of Business Travel in Future Compared With 2019

Q: Are you likely to undertake more, the same, or less of the following types of business travel in the future compared with 2019?



Source: STR, © 2023 CoStar Group

While corporate demand is not completely back, significant forward progress has been made, particularly over the past quarter. With the changes in work policies and recession-related concerns, there are certainly challenges ahead. However, as the pandemic fades and lasting changes to business travelers and their workplaces remain, hoteliers are presented with a landscape filled with opportunities to engage with business travelers in both traditional and previously unseen ways.

INFLATION UPDATE: EXPECT CONTINUED PRICE INCREASES AND SUPPLY CHAIN DISRUPTIONS IN 2023

Content From AHLA Platinum Partner Avendra

For budgeting and planning purposes, the following is a high-level summary of expected inflation in key purchasing categories and suggestions from Avendra to help mitigate price increases. While these estimates are intended to provide budgeting guidance on broad categories, some specific items will experience higher or lower price changes than indicated below.

Category	Inflation Projection and Mitigation Recommendations
<p>Food & Beverage</p>	<p>Projection: We had hoped to see greater price relief as we head into 2023, but protein markets, while improving, are still strained due to high feed costs, volatile demand, and low inventories. Look to seafood for some price relief. Expect high single-digit inflation in the food and beverage category for Q1 2023. The continued threat of recession may put some downward pressure on prices towards the middle of 2023.</p> <p>Mitigation Recommendation: Adjust menu items (think seafood), downsize items/portions, be flexible with protein and produce choices (take advantage of seasonal opportunities), and/or adjust menu prices as needed to best manage costs.</p>
<p>Disposables (Paper, Resins, Towel-Tissue)</p>	<p>Projection: Expect continued disruptions across the industry and inflation ranging from 5% to 15% into 2023 on paper and fiber-based items. Pricing stability and/or softening is beginning to take hold across other material types such as disposable gloves, resin-based items, and aluminum foil. Pricing will remain volatile as the industry recovers from labor shortages, high demand, and freight challenges.</p> <p>Mitigation Recommendation: Communicate with distribution for available alternatives.</p>
<p>Smallwares & Equipment</p>	<p>Projection: Expect price increases of 5% to 8% across the smallwares and equipment category as raw material costs have continued to rise. Labor, supply chain disruptions, and inflation will still be the three macroeconomic challenges impacting the category in Q1 2023.</p> <p>Mitigation Recommendation: Properly plan projects and replenish purchases well in advance to avoid disruptions to your operations. Also, seek alternate options that may be more readily available and priced competitively.</p>
<p>Rooms (Amenities)</p>	<p>Projection: Increased demand, key componentry and energy cost increases, and a tight labor market continue to stress amenity manufacturers. We expect to see amenity cost increases of 5% to 30% over 2023 depending on if the program is committed (versus open stock) and liquids versus soap. For branded programs, overall inventory health has improved dramatically, but manufacturers have only recently started focusing on improving the supply of stock programs.</p> <p>Mitigation Recommendation: Work with your distributor sales representative, or Avendra customer service, to understand the availability of brand-specified products. If you are located in California, be aware of the new state legislation dictating the size of the shower products in your hotel and ensure that you increase your stock of all shower products to ensure compliance. Utilize brand-approved substitutions where there are back orders that cannot be filled. We recommend a conversion to large format to cut down on waste and to deliver increased savings.</p>

For more category detail, please see Avendra's Q1 2023 Commodity Update, available on Avendra's customer portal, [myAvendra](#).

Top Seven Supply Chain Challenges for 2023

Content From AHLA Platinum Partner Avendra

Avendra's goal is to deliver hospitality procurement solutions, mitigate inflation, avoid disruptions, and keep customers informed. The following is a summary of the particularly impactful market forces affecting commodities and updates to be aware of:

- 1. Inflation.** While broad inflation as measured by the consumer price index (CPI) has come off its highs of the summer, inflation remains at high levels. We anticipate inflation for hospitality-related products will continue to run 5% to upwards of 10% for the next few quarters, which is more than double the historical average.
- 2. Tight Labor Market.** The labor market is still tight, with unemployment remaining at low levels. Manufacturers and distributors now have a more stable workforce, but they have had to increase wages and benefits to attract and retain workers.
- 3. Product Availability.** While spot outages will continue, product availability continues to stabilize. This is the result of manufacturers rationalizing their product offerings and making progress in catching up with the high demand of the last several months. Avendra tracks manufacturer fill rates of master food distributors and is working with manufacturers to improve the fill rates. Continue to communicate your needs as often and as far in advance as possible with distributors.
- 4. High Product Demand.** Many commodities experiencing price increases have higher-than-expected demand, including energy, seafood, beef, cooking oil, coffee, and to-go packaging. Retail business has remained strong, and foodservice has been strong since last spring, creating challenges in building safety stock in many categories.
- 5. Russia-Ukraine War.** We continue to monitor the impact of the Russia-Ukraine war. In addition to the impact on energy prices, there has also been increased volatility on key commodities, namely oil, wheat, corn, and cooking oil.
- 6. Energy/Oil.** Energy prices have been volatile, with recent West Texas Intermediate (WTI) oil prices ranging from the mid-\$70 to mid-\$80/barrel after being \$120+/barrel last summer. We expect the volatility to continue, with supply constraints on one hand and a potential recession on the other hand. To reduce costs, customers can enroll in demand response programs and revisit efficiency projects, as the payback may have changed. Also, managing energy supply contracts in advance of expiration can help to identify and take advantage of short-term price decreases in the market.
- 7. Transportation Challenges and Lead Times.** U.S. national average freight rates remain at high levels, but they are off the historical highs seen earlier this year. The ocean ports are in better shape with much smaller queues than a year ago. While those points help the supply chain, there are still driver shortages, and while ocean and freight rates have come down from the highs, they are still higher than pre-COVID-19. Equipment and textiles still have long lead times because of production delays in Asia.

CONSUMERS RANK CLEANLINESS, PRICE, FLEXIBILITY, AND SUSTAINABILITY AS CRITICAL; PANDEMIC-ERA PRECAUTIONS LESS SO

Content from AHLA Platinum Partner Ecolab

In the wake of the pandemic, there is a general understanding that consumer preferences have shifted. But how much, how so, and what does this mean for the hospitality industry? Ecolab conducted a survey to understand just that. In November 2022, Ecolab asked 527 consumers questions related to their hotel preferences and key decision-making factors and compared the results to a similar survey conducted in 2020 among 556 consumers.

Enhanced cleaning regimens remain the number-one step hotels can take to make consumers more comfortable with their stay (see figure 1). Nearly half of respondents (45%) said overall cleanliness and safety protocols influence their choice to stay in a hotel. This is up from pre-COVID (37%) and a decrease from 2020 (62%). Guests remain most concerned about ensuring **the property and guest rooms are clean** (see figure 2).

While cleanliness is a critical factor in making consumers feel more comfortable and safer, consumers are showing less interest in pandemic-related precautions. Measures such as face masks, temperature and health checks, and social distancing are no longer strongly required to feel comfortable staying in a hotel (see figure 1). Receiving communication around sanitation steps and measures being taken to ensure guest and employee safety is less desired by respondents than in 2020 (see figure 4).

Survey Overview

- Ages 24-75
- Reside in the United States
- Stayed at a hotel at least once in the past year (in 2019 for 2020 study)
- Are the sole or joint decision maker for travel in their household
- 527 total responses in 2022, 556 in 2020

Age	2020	2022
24-29	10%	6%
30-39	22%	24%
40-49	20%	21%
50-59	21%	19%
60-69	19%	21%
70-75	8%	8%

Price remains the top factor likely to influence a consumer’s choice to stay in a hotel. However, the share of respondents who ranked price as a top deciding factor has not yet returned to pre-pandemic levels – 57% today versus 67% pre-COVID (see figure 3). This suggests that consumers might be slightly less price-conscious or that they value additional amenities or practices from a property. Even still, a majority (54%) of consumers want to receive **discount or loyalty program** offers from their favorite lodging establishments (see figure 4).

Reservation flexibility became an increasingly important factor for consumers when booking a hotel. It has become an increasingly significant factor, influencing hotel choice for twice as many consumers compared to pre-pandemic (see figure 3).

Sustainability has also risen in value for consumers: 11% of consumers consider environmentally friendly practices to be in their top three factors influencing their choice to stay in a hotel. Prior to the pandemic, only 5% prioritized this (see figure 3).

The overall survey findings are optimistic – with a continued focus on the right cleaning practices paired with increased flexibility and the right loyalty programs, hotels can expect to meet consumers’ top concerns and needs when choosing and staying in a hotel.

Figure 1. What steps can hotels take to make you more comfortable staying at a hotel?

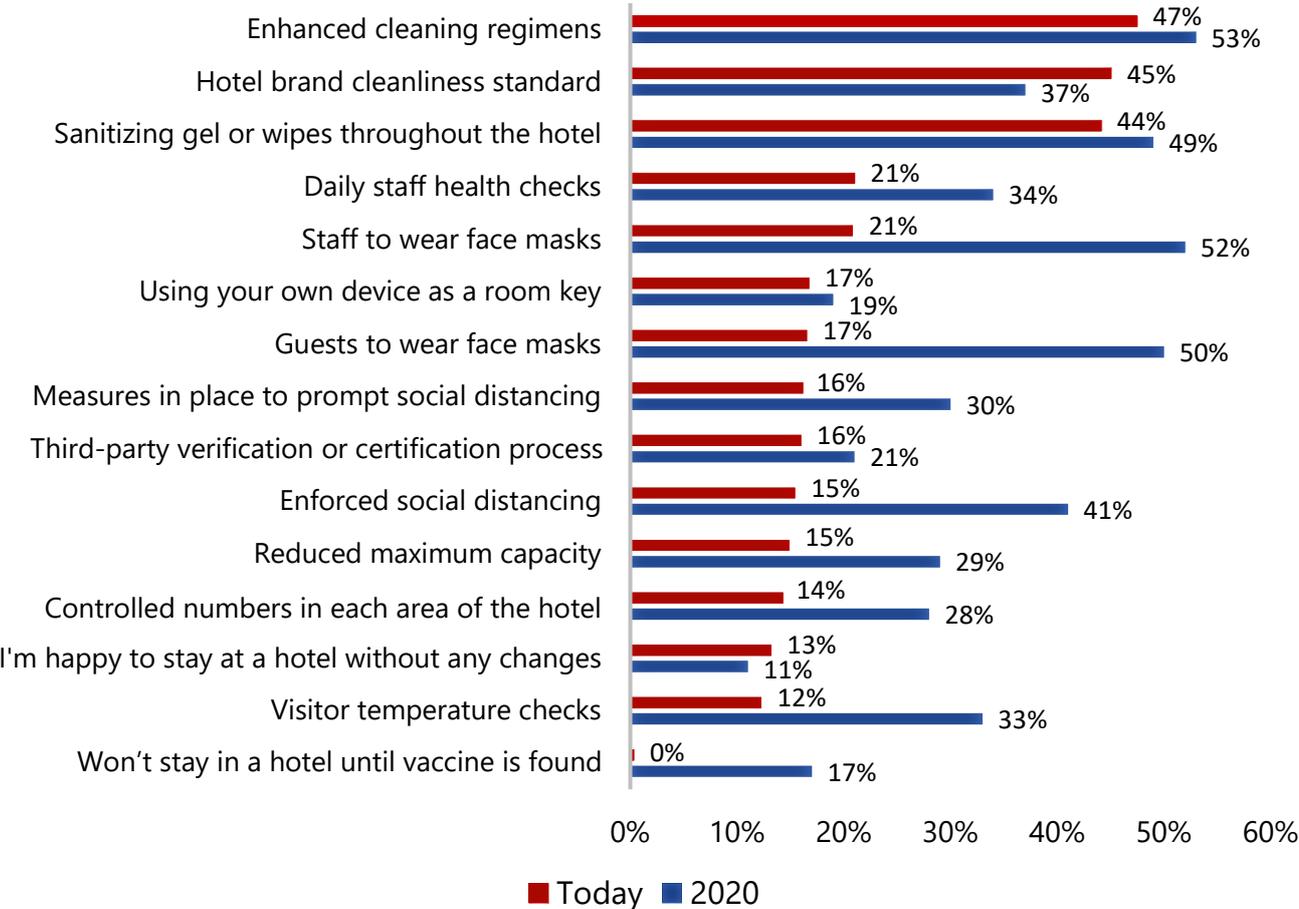


Figure 2. When it comes to the safety of staying at a hotel, what are you most concerned about?

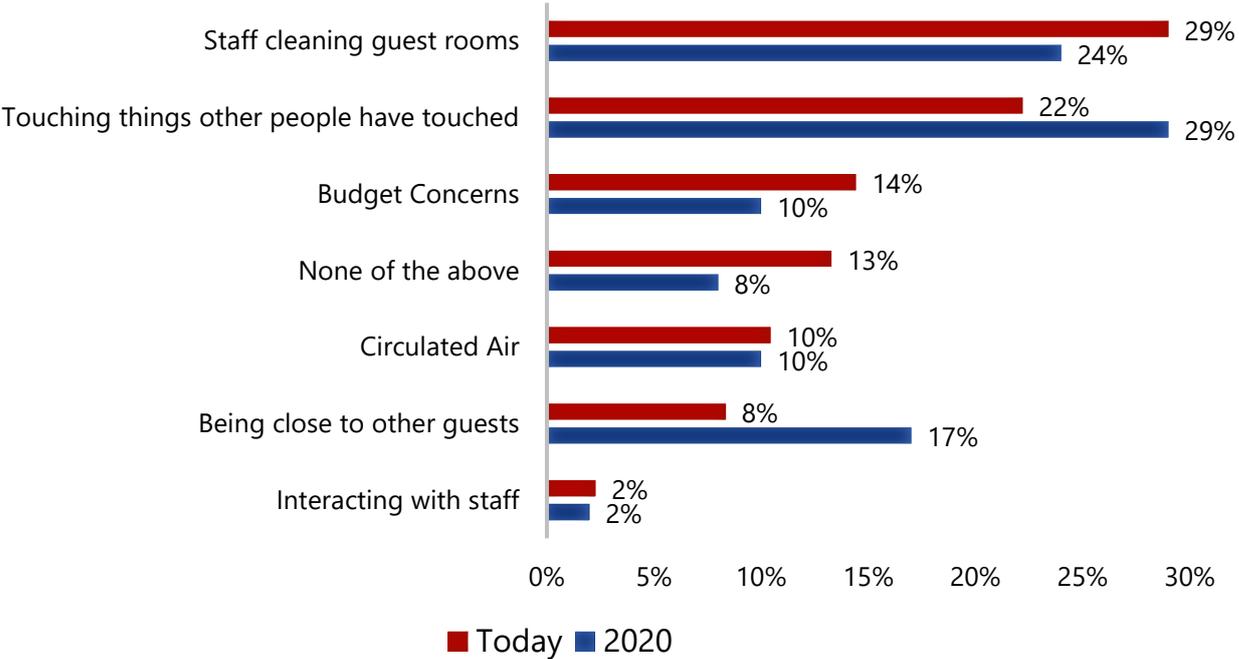


Figure 3. What are the top three factors most likely to influence your choice to stay in a hotel?

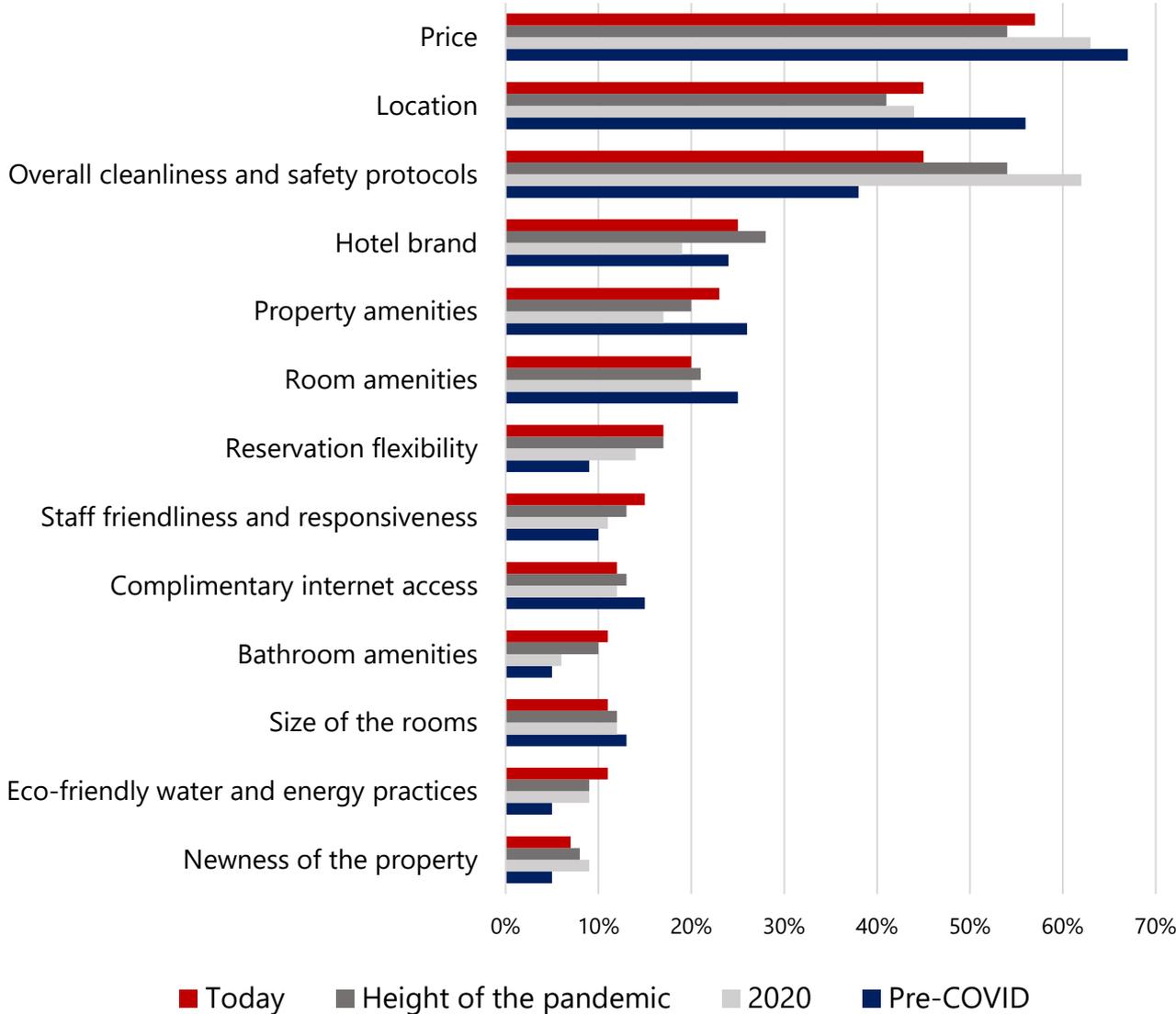
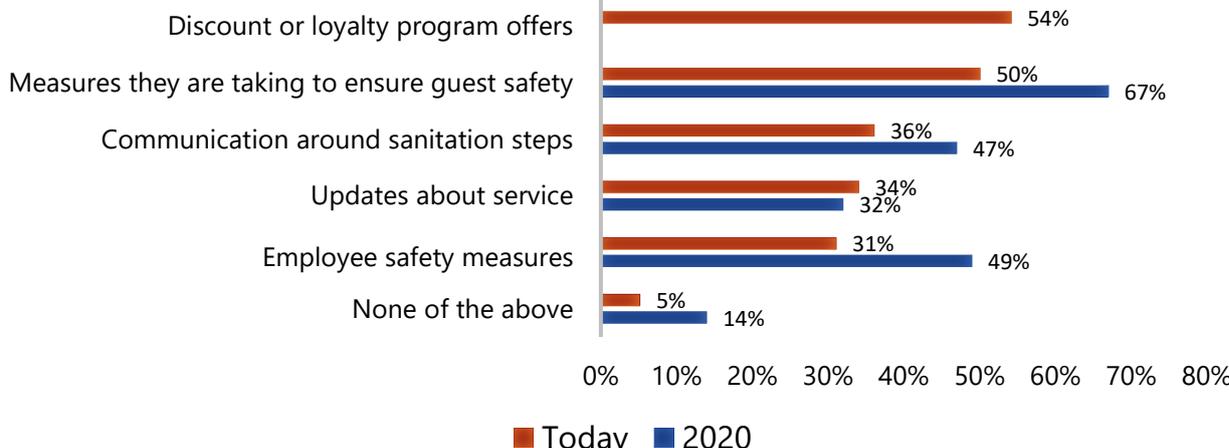


Figure 4. What type of information do you want to receive from your favorite lodging establishments?



ACCELERATING RECOVERY OF GROUP BUSINESS IN 2023

By Tyler Wasman, Senior Manager, Insights, AHLA Platinum Partner Encore

How is your group business recovery going? According to the Encore Venue Pulse Report 2022, only 35% of our hotel partners expected to recover group volume to 2019 levels by the end of 2022.¹²

Another 40% hoped to reach pre-pandemic revenue numbers by the end of 2023. However, the remaining 25% reported that they may not achieve that parity until the end of 2024 or 2025. If you're among the hotels that haven't yet recovered, don't despair. You may not have to wait as long as you think.

Despite economic uncertainty, we expect a prosperous future for meetings and events in 2023. Why? By all accounts, group business is back and there is a bright future for group meetings and events. The Encore Fall 2022 Planner Pulse Report showed that 70% of the planners surveyed were either booking new events or actively sourcing new events with RFPs.

Eighty percent of the events held in 2023 are expected to have an in-person audience. And hotels will account for 57% of the venues used, an 8% increase over data collected over the summer.

Dig a little deeper into the data and you'll uncover why the hotel recovery is so uneven. Roughly one-third of the planners surveyed said in-person events will happen more frequently, but they expected those events will have smaller audiences.

That means that even as the number of group business bookings increases, the revenue per available room (RevPAR) generated may not keep pace. Luckily, the data also highlights opportunities for hotels to overcome revenue challenges. Here are three trends we think will help properties accelerate the pace of group business recovery in 2023.

1. Elevated Group Experiences

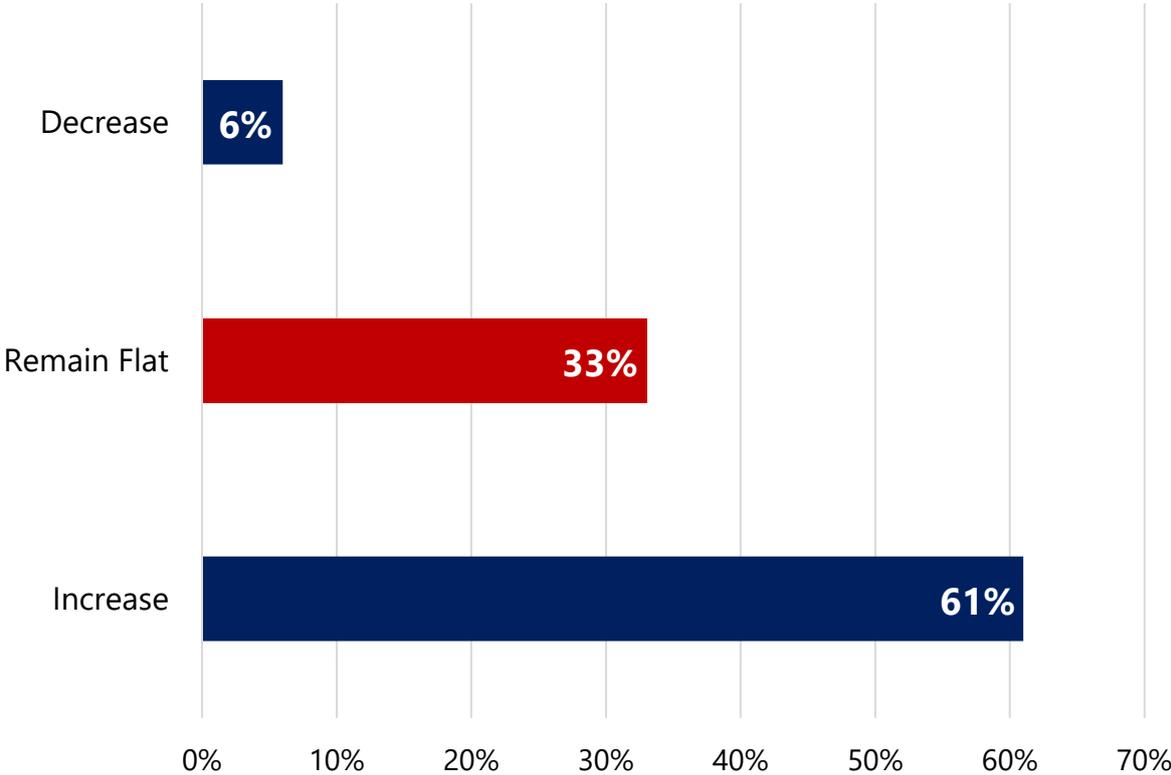
According to Encore's Fall 2022 Planner Pulse Report, 61% of the meeting and event professionals surveyed expect their budgets to increase in 2023. Of those expecting increases, 75% anticipate budgets will increase by 10% or more.

With more money to spend, meeting and event professionals are willing to invest in elevating group experiences. And their number-one priority? Increasing attendee engagement. Four out of 10 planners believe that enhanced engagement, personalization, and better networking will be the future of events.

75%

of planners
expecting increases
believe their 2023
budget will be at
least 10% higher.

Q: Based on current conditions, how do you expect your events budget to change in 2023?



When it comes to related expenses, respondents to the Fall 2022 Planner Pulse Report said budgets for food and beverage, transportation, and in-room audiovisual (AV)/event technology have increased the most recently.

Forty-eight percent of the respondents also reported increasing their 2023 budgets for hotel room rates. These increased per person investments can offset RevPAR gaps caused by a decrease in group size. Leverage the trends by highlighting ways your property can enhance the experience for event participants.

2. Technology That Enhances and Connects

What convinces meeting and event professionals to choose one property over another? According to the Fall 2022 Planner Pulse Report, meeting space layout and technology drive venue selection.

Data from the report shows the number of in-person events increasing, though roughly 20% of 2023 events are still expected to have a hybrid element.

That means one out of every five planners you take on site visits may be concerned with creating a seamless dual-audience experience.

Meeting space layout and technology are driving venue selections.

Q: Assuming your basic needs (availability, budgetary concerns, space) are met, please rank the factors driving your selection of a venue.

Driving Factor	Fall 2022 Rank
Meeting Space Layout	#1
Meeting Space Technology & Infrastructure	#2
Service-Level Expectations	#3

From the first client meeting to the site visit and beyond, leveraging your in-house technology partnership can help your team close sales for prospective in-person and hybrid group business. How? In-house technology providers:

- Know how to make the most of your available space, and can show it off to its best advantage;
- Understand how to deliver experiences tailored to customer goals at every price point;
- Can answer questions about venue internet, broadcast/streaming technology, in-room meeting tools, and what has worked for similar events in ways that build and foster customer trust; and
- Help customers leverage technology to create more engaging experiences for in-person and blended audiences.

Involving in-house technology teams early in the process also minimizes some of the challenges venues are currently experiencing. According to the Encore 2022 Venue Pulse Report, the top three situations venues are struggling with are shorter customer lead times, operational workforce challenges, and meeting customers’ budget expectations. Establishing strong lines of communication and inter-team alignment makes it easier for venue and in-house teams to produce events, even with limited time to plan. Customers don’t distinguish between in-house providers and hotel staff, so taking advantage of in-house expertise early and often strengthens your workforce’s ability to be responsive to customer needs.

3. Environmental, Social, and Governance (ESG) Initiatives

According to the Fall 2022 Planner Pulse Report, planners expect their venue and supplier partners to make environmental, social, and governance a priority. When selecting a venue or supplier, 71% of the meeting and event professionals surveyed said that diversity, equity, and inclusion (DE&I) is important. More than 60% said that environmental sustainability and social responsibility are also key considerations. An informal poll of the event professionals attending IMEX America supports this: 94% of the IMEX America Break Free participants polled said they

believed they could modify their events to make a positive environmental impact; 45% said they believed their events could generate positive social impact.

Show planners your venue can support these themes by sharing actionable ways your team addresses them. For example:

- Share ways your venue can help planners reduce, reuse, or recycle materials onsite.
- Communicate your hotel’s ESG initiatives and the impact they have on the environment.
- Offer any kind of per-event tracking and reporting your facility can provide on energy consumption, carbon footprint, and waste diversion and/or community, economic, and social impact.
- Highlight the work your hotel and its staff do to benefit the local community.
- Connect meeting and event professionals with local, sustainable, and/or charitable organizations and resources that can enhance their events.

ESG is
important
when choosing
venues and
suppliers.

Q: How important are the following when selecting a venue, vendor, or supplier?

Attribute	Venues	Vendors/Suppliers
Diversity, Equity, and Inclusion	69%	71%
Local Legislation Aligned with Organizational Values	65%	62%
Environmental Sustainability	62%	65%
Social Responsibility	58%	64%

By promoting how meetings and events at your property support ESG initiatives, you create positive, memorable experiences for both customers and attendees. These memories will be shared with peers long after the event ends. And the impact generated will create a compelling reason for group business to return (and for others to choose your hotel). Embracing ESG initiatives will enable venues to attract more events, as well as support meaningful customer expectations, needs, and initiatives.

The future of group business is bright and powered by hotels that transform with the trends. Stay ahead of the curve in 2023 and [download quarterly Encore research Pulse Reports.](#)

2023 TOP TECH TOPICS

The Executive Leadership Group of AHLA's technology arm, HTNG, expects the following technology trends will dominate hospitality industry tech conversations in 2023.

1. Artificial Intelligence

The concept of artificial intelligence (AI) with digital computing began in the 1950s, but HTNG believes that a turning point may be approaching for practical, wide-scale use in the hospitality industry. AI has many applications, such as chatbots, robotics, data analytics, customer service, personalization, and many others.

2. Robotics

Up until now, robotics has been viewed as mostly a novelty in hospitality. The robotic bartender served more to entertain guests than create efficiencies, and the room delivery robot had to be taught to linger at the guestroom door to delight the customer. Recent labor shortages are causing the industry to take a fresh look at the practical use of robots to fill this gap. There is still the concern that in hospitality, we should not be putting machines in front of guests, but there are a growing number of use cases out of guests' view.

3. Sustainability

A core dedication to sustainability is good for the planet and good for business because more and more guests are considering it when choosing a hotel. Technology is a critical enabler, from energy conservation to food waste reduction to electronic vehicle charging and much more. Tech executives will find sustainability projects core to their priorities in 2023 and beyond. For more information on how America's hotels are taking the next step in the journey to reduce our industry's environmental footprint while continuing to provide guests with innovative and sustainable experiences, visit www.responsiblestay.org.

4. Cybersecurity

Cybersecurity has been on the list of top priorities and concerns for many years, and it won't be leaving anytime soon. Despite large annual investment and material improvements in practice, hotels are still seen as a soft target, and the bad actors keep getting better. Cloud migration has helped considerably. With many highly publicized breaches over recent years, the high cost of mitigation, and subsequent damage to brand reputation, every CEO now understands its importance.

5. Privacy

Often bundled with cybersecurity and managed together, privacy is about policy rather than security. The biggest challenge to privacy professionals is ensuring compliance with the myriad of national and state laws as they emerge and evolve. Adapting systems and processes to comply is a daunting task and can interfere with the best-intended marketing and guest-service efforts.

THE ANCILLARY SERVICE MODEL GAINS MOMENTUM

By Alex Alt, Senior Vice President & General Manager, AHLA Platinum Partner Oracle Hospitality

The New Year is upon us, and hoteliers worldwide are sharing a resolution to generate revenue by improving convenience and choice. This industry-wide focus is manifesting itself in many ways – for instance, increased automation of day-to-day operations for employees; more mobile, self-service functionalities for guests; and more options for how rooms are used, such as co-working spaces or for day use. Among the most hotly debated items is the future of monetizing ancillary services, including through unbundling and upselling.

Some argue that the ancillary revolution is not forthcoming, but the data tells another story. According to an [Oracle Hospitality and Skift consumer and hotelier research report](#) from Spring 2022, 81% of hoteliers expect a big service model shift between now and 2025, and 49% strongly agreed that special amenities and upselling are critical to their revenue strategy.¹³ In turn, customers seem open to new pricing strategies that give them more choices over the course of their stay. Over half of consumers from across the world (54%) said they are willing to pay more to choose their view; 38% to choose their room; and 32% to choose their room floor.

To clarify, this trend is not about hotels posting a bare room and asking guests to pay for pillows or cable TV. The ancillary service model promotes the sale of supplementary goods or services such as additional amenities and more detailed marketing of in-room preferences, allowing each guest to choose or build their ideal experience.

This already exists to some degree in hospitality. For example, hotels sell different rooms at different prices. Most offer early check-in or late check-out for a fee or enable guests to add additional services such as a yoga class or spa outing. What we'll see in 2023 is an increased thoughtfulness around optimizing what guests want to pay for, and how that can be turned into incremental revenue.

To curate unbundled or targeted offers that cater to the unique experiences that guests desire, personalization must be built into every part of the journey. That will require hospitality operators to use technologies such as the cloud, analytics, and artificial intelligence (AI) to capture, understand, and operationalize data around guests' behaviors and preferences.

Capture

AI helps hotels present customized offers to guests in real-time, maximizing total revenue based on relevant guest data. This type of data is not the usual sort that hoteliers tend to fall back on. Historical data alone, especially data collected prior to the pandemic, is less valuable than it once was. What's more valuable is data that can anticipate what the guest might want right now.

A deep understanding of reservation guest data is critical – market segment, source of business, rate code, day-of-week check-in, and more. Did they click on the loyalty offer on the booking engine confirmation web page? Did they ignore an upsell offer for a suite in the confirmation email? Did they click on an early check-in offer on the pre-arrival email? Did they

pre-register on their mobile device? As guests move through the booking and pre-arrival phase, every additional guest interaction is valuable data that can be used to drive incremental revenue.

Curate

As systems begin to receive data during the reservation life cycle, personalization – even for guests who have never booked with your hotel before – becomes possible. Personalization at this level identifies different things about a guest to understand what that guest values, at what price, and at what point in their journey they will be most likely to upgrade or request services or products.

When a guest checks in, the system can take into consideration what was already offered earlier in the reservation life cycle and how the guest reacted. Using these buying signals specific to each individual, the system can present recommendations to the front desk or reception agent in real-time to cater amenities or upgraded offerings for each guest.

This has certainly been the experience for the Oracle customer Great Wolf Resorts. From themed rooms and extra space to a 'Wolf Pass' offering access to waterparks and more, the company merchandises a broad catalog of room options and attractions to cater to every segment and every guest. Rather than manually tracking upgrades against availability and spending staff hours on data entry, Great Wolf leans on Oracle's Nor1 to automate the upsell process and connect with Oracle Hospitality's OPERA Cloud Property Management System (PMS) for a clear view of inventory.

"We're always trying to think of new ways to give people the experience they want," explained Dave Van Saun, director, ancillary revenue at Great Wolf Resorts. "The way this manifests in revenue management is in offering different fare types, bundled offers, passes, and more...We've always had a focus on ancillary revenue and have seen it as a good growth opportunity, but the pandemic allowed us to double down. Getting a guest who has already paid for a room to spend more to have a better experience is a win-win and delivers high-margin revenue."

Carry On

One of the greatest values of AI is the feedback loop; that is, incorporating the guest interaction, with the accepted or rejected offer, back into the system so that the machine learning-based automation can make better offer decisions in the future. The more buying signals the system can receive, the more targeted the offers can become.

Improved connectedness between systems will be key to getting a comprehensive view of guests over time. Historically, data resided in separate systems, or silos, that were not connected. But as property management, upselling, payment, and other systems converge, becoming more streamlined, hoteliers will be able to leverage the combined data to better understand guests and offer them unique and relevant choices that will create their ideal stay.

The bottom line is that every guest is unique and wants their hotel experience to reflect that. Unbundling is a win-win for hoteliers and guests alike: Guests can choose to curate their ideal experience as they are served the most relevant and compelling offers at their convenience, and properties can generate more revenue.

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