

Independents Day: Rise of Independent Hotels Sets off Industry Fireworks

Data shows higher ADR, faster growth than traditional hotel business

Last year was a pivotal one for independent hotels, per STR, an American company that tracks supply and demand data for multiple market sectors, which revealed that these 'un-branded' properties had greater overall average daily rate growth (ADR) and revenue per available room (RevPAR) growth than their branded hotel brethren. Expedia, Inc. dug deep into its Q1 2017 data to shed light on the continued rise of independents in 2017, and offer tips for independent properties to best leverage this momentum.

For Q1 2017, Expedia data shows independents continued to excel on ADR growth versus branded properties, and in addition, travelers spent more per night at independent hotels than at branded properties during the time. Independent properties not only averaged higher ADRs than branded properties, but the ADR growth for independents has also doubled the pace of branded ADRs since Q1 2014.

"Online marketplaces have helped independent hotels gain access to a global travel audience, and insight tools, that in the past, were more exclusively advantages for brands," said Mark Morrison, Expedia's vice president of owner services. "Couple this with the massive rise in desire for travel and experiences among both international and domestic travelers, and the ease with which travelers can now discover and book hotels, and we're seeing a democratization based on visibility, quality, unique selling attributes, and traveler needs."

Independents Trends in Major Markets

The top volume destinations for independents, based on room nights, in Q1 2017 were Las Vegas, Manhattan, Miami, Orlando and Los Angeles. These markets reveal trends in independent growth:

- Las Vegas independent properties saw fast-growing ADRs up more than 10 percent year-over-year (YOY), driven by international customers, who have a 25 percent higher ADR versus domestic travelers.
- Manhattan similarly paced well in ADRs, with average prices up low single digits YOY, while branded properties saw a low single digits decline in prices.
- Miami properties saw a notable decline in cancellation rates (more than 10 percent YOY), and hoteliers filled rooms well in advance of stays, with an average booking window of almost 30 days.
- Orlando also saw an increase in booking window average, along with a decline in cancellation rates of five percent YOY.
- Los Angeles independents showed ADR growth of more than five percent, which is more than double that of branded properties.

Independents Soaring in Small Markets Too

Smaller markets are also booming for independents. Top growing independent destinations for Q1 2017, with a minimum of 5,000 room night stays, were:

- Central Valley North, CA – an increase of nearly 110 percent YOY
- Rochester, MN – up just around 80 percent YOY
- Prescott, AZ – up nearly 75 percent YOY
- Kauai, HI – an almost 65 percent increase YOY
- Charlottesville, VA – up just around 65 percent YOY

The International Appeal of Independents

Independent properties also attract travelers from around the world, a trend that is likely attributable to global marketplace accessibility. For top volume markets, with the exception of Las Vegas, independents had equal or greater share of international visitors than branded properties in Q1 2017.

For top volume U.S. markets, independent properties have seen a surge in business from Switzerland (nearly 50 percent growth YOY), Israel (up almost 25 percent YOY), Canada (up nearly 20 percent), Netherlands (more than 15 percent growth), and Finland (up more than 10 percent), with the EMEA region bringing in a greater than 40 percent share of inbound business.

- Las Vegas: More than 15 percent of travelers for independents come from international markets, with Canada, U.K., South Korea, Japan and Germany leading.
- Manhattan: Nearly 35 percent are international travelers, with top five markets being U.K., Canada, Germany, Japan and Australia.
- Miami: More than 25 percent of visitors are coming internationally, led by Canada, Brazil, Sweden, Germany and U.K.
- Orlando: 20 percent of independent guests are international, with Brazil, Canada, U.K., Sweden and Japan leading the charge.
- Los Angeles: International travelers also make up nearly 20 percent for this market, led by Canada, Japan, Australia, South Korea and U.K.

“In the month since opening our doors and working with Expedia as our exclusive global OTA partner, we’ve seen bookings every single day, and from a diverse global customer base. Half of the bookings from Expedia have come from international markets, which have resulted in longer stays, and lengths of stay are outpacing competitive hotels in our market,” said Ian Schragger, owner of recently opened PUBLIC in New York City. “I am used to dealing with the best & brightest. When we evaluated our options, we picked Expedia to be our exclusive OTA partner and we are absolutely delighted with our relationship and our decision.”

Independent Properties Attract Mobile-Savvy Consumers

One perhaps unexpected insight: mobile share of room nights grew roughly 15 percent YOY for independent properties in Q1 2017, with volume growth via mobile up nearly 25 percent YOY. Mobile demand growth for independents YOY in Q1 2017 outpaced branded in four of the five top volume markets:

- Las Vegas: 25 percent growth for independents; 15 percent for branded

- Orlando: just over 25 percent growth for independents; nearly 10 percent for branded
- Los Angeles: just over 25 percent growth for independents; 35 percent for branded
- Manhattan: just over 10 percent growth for independents; nearly 10 percent for branded
- Miami: just over 25 percent growth for independents; nearly 25 percent for branded

An even greater growth disparity was present in top growth small markets:

- Central Valley North, CA: 2X growth for independents; 45 percent for branded
- Rochester, MN: around 1.5 times growth for independents; nearly 30 percent for branded
- Prescott, AZ: nearly 1.5 times growth for independents; just over 25 percent for branded
- Kauai, HI: almost 90 percent growth for independents; almost 60 percent for branded
- Charlottesville, VA: 60 percent growth for independents; nearly 10 percent for branded

And the Winners Are...

When looking at individual properties, incredible growth can be seen based on demand growth for properties that generated minimum 1,000 room nights in both 2015 and 2016. The big winners, all exceeding 250 percent growth YOY per property, are:

- Vacation Inn Phoenix in Phoenix, AZ
- Graduate Charlottesville in Charlottesville, VA
- Tideland Caribbean Hotel and Suite in Ocean City, MD
- Majestic View Lodge at Zion National Park in UT
- Nautilus, a Sixty Hotel in Miami, FL

“Our growth is a classic example of understanding supply and demand in addition to using the tools at hand. Expedia Analytics has been key to anticipating current and upcoming market trends. We’ve adjusted our planning strategies accordingly and that has been imperative for our growth. For example, once we identified the down trend for our market, we could move forward with a more competitive pricing strategy that utilized all of the Expedia tools, such as package. Information is powerful!” said Humberto Soriano, director of revenue management for Nautilus, a Sixty Hotel in Miami, Florida.

Tips for Independents to Maximize Growth Using OTAs

Expedia works with thousands of independent hotels across the U.S. and around the world to help them maximize their demand and revenue, and is sharing the below tips for independents based on its key hotel partner learnings:

1. Personalize your Property

There are numerous ways that hotels can stand out from their competitors and attract more looks and books – and they will benefit from telling their unique story. Expedia offers a variety of tools that help properties stand out in the marketplace:

- Value Add Promotions allows hotels to better promote and differentiate their property by highlighting unique amenities and offerings that enhance a traveler's stay, from free Wi-Fi, parking, or breakfast, to late checkouts and other value propositions.
- With Points of Interest, properties can customize local landmarks, activities and attractions near them, to provide extra incentive and information for potential customers.
- Independent hotel and small chain partners offering Members Only Deals, which are standalone hotel discounts available only to customers who are registered for Expedia's loyalty program and logged into Expedia sites or shopping on Expedia mobile apps, are seeing big gains in demand, with triple digit increases in the first quarter of 2017, growing faster than non-Members rooms.

2. Utilize the Technology

One of the greatest advantages of working with Expedia, beyond demand, is the technology, tools and insights the company provides its partners. The Expedia Partner Central (EPC) partner portal allows properties to maximize their revenue, while automating everything from competitive insight to revenue management. As a technology first company, Expedia understands the burden for independent properties to keep up with technology, so the company continuously listens to its customers, tests-and-learns on new solutions, and brings new tools to EPC that help hotels manage their business, reputation and revenue.

3. Leverage Package Offerings

Package bookings, combined hotel, airfare and/or car bookings, have higher ADRs, longer lengths of stays and booking windows, and have less cancellations than standalone bookings. Properties should understand and leverage package offerings for their area, and be sure to take advantage of the many benefits they bring to hotels.

4. Stand out from the Crowd

Most independents can't compare to the marketing muscle of brands, but with simple pay-per-click advertising offerings like TravelAds, offered through Expedia Media Solutions, lodging partners on average have a measurable 11:1 ROI on investment. It's a great way to drive demand during off or shoulder seasons, or periods of lower occupancy. In addition, Sell Tonight can help offload last minute inventory to maximize occupancy.

**Numbers are based on Expedia data*