

Business Travel Lodging Competitor Intelligence Report

Industry Overview

- Corporate housing is a \$2.47 billion a year industry
- The corporate housing average rate was 1.3% higher than in 2009, at \$115.88 in 2010.
- In 2010, the US corporate housing market is estimated at approximately 65,396 units.
- Corporate housing provider companies project a 3% increase in units in 2011.
- The Washington DC Metropolitan Statistical Area (MSA) remains the largest market with 5,962 estimated units including Washington DC and its sub-markets, followed by Los Angeles, New York and Houston, respectively.
- Overall occupancy in the US corporate housing industry increased to 89.2% in 2010, up from 88.1% in 2009.
- The average stay in a US corporate housing unit was 83 nights in 2010
- Corporate housing typically offers larger square footage, costs less than hotels, offers full customer service, and is used for stays averaging one month or more: residential housing versus transient housing
- Industry leaders say companies should work with a corporate housing service rather than set up their own corporate apartments because establishing a corporate lodging is expensive, takes a large set-up time investment, and maintaining the property is time and investment intensive
- Corporate housing is not just about traveling business executives and relocated professionals, but also about:
 - 200,000 annual traveling nurses
 - 600,000 annual military personnel and their dependents
 - displaced homeowners because of insurance issues or divorce
 - professional athletes who get traded from city to city
 - theater professionals filming a movie or traveling with a show
 - consultants on a project
 - employees at training programs
 - people on extended vacations, on extended family visits, or having out of state medical procedures
 - elected government officials serving outside of their district
 - personnel involved in special events or large sporting events
 - traveling professors or graduate students; and many others
- According to the Workforce Mobility Association, criteria companies and individuals use to choose the right corporate lodging service include:
 - Rates. What does the monthly rate include? Are there preferred rates for larger accounts? Are there additional fees? These questions will help a guest enter into a corporate housing lease agreement more knowledgeable and confident.
 - Location. Is there a local office or on-site contact should the guest require assistance? If the company does not have a local office, ask how the company handles client requests and property issues.

- Services. What additional services does the corporate housing company provide? For example, is there 24-hour maintenance service or other amenities that will make the stay pleasant?
- Accreditation. Accreditations will enable a relocation manager to distinguish a quality corporate housing agent from the pack.
- Experience. What percentage of the corporate housing company's business is involved in corporate relocations? Finding an experienced provider can be a bonus in this changing marketplace.
- Protection. How are the company and its vendors insured? This is especially important to find out when working with management companies that manage properties offered by individual homeowners.
- Policies. What is the company's policy when a guest does not like the property? Does it have other options available to accommodate that guest?
- According to the 9th ninth annual Global Relocation Trends Survey Report 45% of corporate housing revenue was realized outside the home country by 77% of the companies surveyed that are U.S.-based multinational companies
- There are indications of a gradual down-trend in extended-stay (hotel) occupancy and up-trend in corporate housing (apartments, houses, condos)
- Relocation accounts for about one half of long-term “corporate” housing, government and military for 38% and insurance/disaster for only 6%, while 20% of the market is private/non-profit business or other travel

Methodology

Web sites and online industry articles were reviewed to create competitive profiles of three categories of extended-stay corporate lodging management companies:

1. Companies that affiliate with hotels and hotel chains for corporate lodging solutions (6 companies),
2. Companies that use apartments, condominiums, houses and non-hotel properties for corporate lodging solutions and charge finder's fees or fees for service (10 companies), and
3. Companies that property manage apartments, condominiums, houses and non-hotel properties for corporate lodging solutions (10 companies)

A review of corporate travel buying habits was also made that took a close look at (9) online travel services (Priceline, Expedia, Travelocity, Orbitz, etc.) in the \$31 billion online travel industry.

The companies were reviewed based on this criterion set (where data was available):

- Annual sales
- Differentiators

- Web site functionality, look and feel
- Number of years in business
- Special features/expertise per the company
- Key selling message/hook per the company
- How they generate revenue
- Who their hotel partners or other accommodation supplier are
- Number of hotel partners or number of accommodations booked annually
- Whether they provide additional travel or specialized services
- The size of company (number of employees)
- Their social media presence

Overall, the vast majority of corporate lodging sites were regional/city-based, not national or international.

Also reviewed were dozens of key marketing messages from the corporate travel industry as a way to identify what the industry believes triggers customer acquisition and loyalty.

Note: research was deliberately focused on easy-to-find/accessible/well promoted companies as they are a bellwether of marketing effectiveness.

Individual vs. Corporate Travel Buying Habits

Travel is the internet's largest business. All recently published statistics on Internet sales, confirm that hotel bookings, represents almost 50% of all Internet transactions worldwide.

Following are the top 4 travel 2010/2011 mobile sites and apps gauged by unique monthly visitors, according to Nielsen:

1. Travelocity: 1.263 million (+32.3% compared to October 2008)
2. Expedia: 1.258 million (+4.7%)
3. Priceline: 1.2 million (+39.5%)
4. Orbitz: 1.12 million (+23.9%)

The Internet was used by approximately 90 million American adults to plan travel during the past year with 76 percent of online travelers planning leisure trips online; 24% used the internet for booking business travel. Most online travel planners are somewhat or extremely satisfied with their experiences in using the Internet to plan their trips.

Importantly, most see the Internet as a very useful or essential tool for planning many/most aspects of a trip including where to stay overnight. The primary tools for travel planning are online travel agency websites, search engines, company websites and destination websites. Airline tickets, overnight lodging accommodations and car rentals are the dominant travel products and services purchased online by travel planners. (Source: U.S. Travel Association's Travelers' Use of the Internet, 2009)

The growing complexity of travel web sites in the past two years was cited as a major reason why more travelers would use a travel agent if they could find one, according to a Forrester Research study. In 2008, 23% of leisure travelers in Forrester's Technographics Travel Online Study agreed with the statement, "If I could find a good offline travel agent to work with, I would." That number increased to 28% in 2010. However, recent research commissioned by NCR found that 82% of consumers are more likely to use a travel company that provides online, mobile and self-service kiosk solutions over a company that does not. Consumers want to book, amend and confirm their travel plans when and where it suits them at any point on their journey.

By 2013 (Forrester Research), the number of travelers directly researching and booking part of their trip online will have grown, but only by a relatively modest 16%. The main reason that number won't grow faster, is that travel sites aren't good enough for many users, thanks to a combination of poor design, inflexible options, and unclear security. They also predict that 46% of leisure and unmanaged business travel will be sold online and that 39% of managed business travel (the kind organized via a mandated company policy) will go through online channels.

The corporate travel market continues to grow while companies get more involved in their travel spending habits. In their 2008 Corporate Travel 100 Report, Business Travel News noted that corporate travel for the top 100 spenders reached \$11.2 billion in the U.S. And the Association of Corporate Travel Executives survey shows that many corporate travel budgets have been increasing (ACTE 2008). With the frustrations that businesses and their employees face while trying to book their own travel, there is a growing need for travel experts who can meet the special needs of this niche.

A 2011 Amadeus corporate travel managers survey indicated that:

- 47% wanted control of corporate travel for cost reduction, while 37% indicated improved management of travel processes as the reason to take business travel out of the hands of employees
- Only 3% surveyed thought there was any need for reducing corporate travel
- 97% said managing corporate travel gives the company the ability to improve safety for their employees while traveling and being accommodated

Competition Overview

Annual sales: The *2011 Corporate Housing Industry Report* makes it possible to extrapolate sales by region and city, and many competitors' annual sales are available, but not all. Ultimately, there is no clear indication that any of the direct and indirect competitors have a locked in lion's share of the corporate housing market, meaning industry leaders can be challenged and surpassed through effective marketing and client base development. (There is also very little indication of companies in the industry

buying up smaller competitors to increase market share; there may be significant opportunity in this strategy.)

Differentiators: As the following data will prove out, the key differentiator in the corporate housing industry is how companies use software applications to manage aspects of their business and handling of client accounts. A half dozen competitors utilize software that appears to manage client contracts in the same way Web Genesis does; the indicator of this is that these companies promote many of the same features as *** (savings, no unauthorized billing, tax savings/refunds, etc.). Companies that do not use (or at least promote) these applications, generally focus their selling points on accommodation rate savings and experienced customer service. In regards to customer-facing technology use—interactive, online, frontline interfaces—Oakwood and Corporate Housing by Owner stand out on their web pages of having a good grasp of the tech tools of the corporate travel industry while almost all the other reviewed company sites appear to be fairly technology primitive.

Web site functionality, look and feel: The vast majority of reviewed sites were less than inspiring, in fact, they were almost all ho-hum; furthermore, most were company facing rather than customer facing, meaning they talked about what they do rather than what the customer needs, customer recognition. They also “spoke” more to an individual visiting the site than B2B, which makes the industry as a whole seem more B2C than B2B even when that is not the company’s market share; the sites specializing in government and military housing, however, spoke more to the whole than the part. By in large, the sites are brochure sites soliciting visitors to call a toll-free number or fill out a primitive web form for additional information. None had what seems to be an obvious solution and selling point: an interactive, customer-facing sales and booking research system wherein a corporate business travel coordinator could enter a location, accommodation needs, pricing and other requirements and be able to reserve an inventory. All this begs the question: should the largest competitor have a two-portal site: one for B2B and one for B2C?

Number of years in business: The industry buzz-phrase seems to be “combine years of experience,” especially in the property management sector. Some companies actually brag on their longevity—or, conversely, how much they’ve accomplished in a short period of time in business—but, for the most part, Oakwood’s 50th anniversary celebration doesn’t seem to be much of a selling point in the big picture of things. Longevity doesn’t appear to be a compelling customer-facing selling feature.

Special features/expertise per the company: A few companies do stand out as being “well established” in the industry; not well established by years in business, but they really seem to know who their customers are and have a significant market share. Oakwood, ***, LJK and the military-focused sites stand out in this regard; essentially, they splash their clients on their home page or near the “front.” This establishes

credibility at the onset and helps the visitor feel like “hey, I’m in the right place... these people service my industry.” Other “bragging rights” include:

- The features *** promotes on its site
- “We come from the real estate industry and know our stuff”
- “We come from the hotel industry and know our stuff”
- And endless list of on-site amenities right down to the number of place settings and sheet sets
- “We have dozens/hundreds/thousands (fill in the blank) of the best properties available”
- “We work hard for you...”
- “Services available 24/7
- Etc... probably 80% of what is on these sites is talking about the properties, services and amenities, indicating that the companies believe they are selling accommodation style rather than savings

Key selling message/hook per the company: None worth repeating. Not one, single logo, slogan or key messaging set stood out, accurately described the company and its services and edge, or sold the company. The only one worth noting at all is the Temporary Housing Directory which focuses on disaster relief and basically says “we can make you at home when you lose yours.” Indications are that specific, compelling, customer-facing sales messaging could put a company out in front pretty quickly.

How they generate revenue: A significant majority of businesses in the industry own or manage these properties and collect the rents. Others receive fees from the property owner/management as well as the client. Across the board, almost no one publicizes how their revenue-generating structure is set up, with the possible exception of the private property management sites that post annual listing packages.

Who their hotel partners or other accommodation suppliers are: All the biggest and most prominent hotel/motel chains appear on the lists of those companies that use hotels and publicize their properties: Microtel to Hilton, Best Western to Carlson, Extended Stay to Marriott. Non-hotel companies run the gamut from complexes built specifically for long-term housing, to management of privately owned units.

Number of hotel partners or number of accommodations booked annually: Some of the companies boasted about the number of customers they serve and units they book, but most didn’t publish these figures. The *2011 Corporate Housing Industry Report* breaks down volume by region/city which is ultimately more useful as it answers the question: what regions are seeing the highest need for corporate housing which sets the foundation for looking at the prevalent area industries/companies as potential clients.

Whether they provide additional travel or specialized services: A few do. One company affiliates with limousine companies to serve their guests, a few will assist with all travel and transfer arrangements. In the direct and indirect competitors categories, additional services were not prevalent; however, the corporate-focused travel agencies are all full-service, many with specialties. Travel services as a value-added may be a viable differentiator.

The size of company (number of employees): Almost impossible to tell. Companies like Hoovers and list companies like USAdata may have this information listed, but with a few rare exceptions, one cannot glean from the web site how big the company is. Arguably, internet-based companies, or companies that use the internet to communicate with their constituency, can be any size, and if the marketing and functionality of the site work effectively, size is irrelevant to the customer.

Their social media presence: Very few competitors have an active presence in social media. Many of those who do have social media links have not created their presence at those link destinations. A couple do have some dialoguing going on between sales reps and customers, but, for the most part, social media is relatively un-tapped as a marketing tool in the direct competitor market.

Final Observations

Overall, the web-based marketing in this industry is soft and relatively ineffectual at best. As the global trend continues to be growing dependence on the internet for doing business, there is considerable opportunity here for *** to have *the* go-to corporate lodging site, as only a couple exist and they aren't extraordinary.

Messaging in the industry is also cloudy. A few competitors have case studies and testimonials posted that are quite compelling, but they are buried on the site. Hitting customers up with hard-hitting messaging about what *** does for them and proving it with numbers and a customer-facing/specific savings/benefits calculator would put *** out in front right out of the gate.

Overall, the industry's web sites look like afterthoughts. They don't sell well, they minimally have useful online services, and they are company-facing not customer-facing.

Essentially, the internet-based competitive intelligence for *** indicates nothing but good news. Corporate lodging may have a few well-established, profitable competitors, but they aren't tapping into most marketing tools and tricks, the vast potential of the internet, and their messaging isn't selling. It can be extrapolated that their sales teams are effective, however, so *** is in a good position to leverage marketing to advance share as the first step in market dominance.