New Forward Looking Hotel and Motel Indicators are Launched

Business Conditions Survey on Traveller Accommodation

May 16th 2005

Introduction

The quarterly Business Conditions Survey for the Traveller Accommodation Industry (BCS-TA) is an example of a business tendency survey which gives information on expected economic performance of an industry based on the informed opinions of respondents. Statistics Canada also undertakes a similar Business Conditions Survey of Manufacturing Industries (Statistics Canada). In the United States the Institute for Supply Management (ISM) carries on a monthly Manufacturing as well as a Non-manufacturing business tendency survey. In the Euro-zone there is a monthly Manufacturing as well as a Services business tendency survey of purchasing managers.

A business tendency survey is intended to identify showdowns, pick-ups, and turning points in the economic cycle. An industry like Traveller Accommodation is an excellent candidate to have this type of survey because it is vulnerable to external shocks such as terrorist attacks, pandemics, war, abnormal weather, and rapid currency rate fluctuations. As well leisure and business travel is slashed when household or corporate budgets are tight.

The Business Conditions Survey for Traveller Accommodation was developed by a partnership involving the Canadian Tourism Commission and the Service Industries Division of Statistics Canada. In the final stages of the pilot study, the Ontario Ministry of Tourism and Recreation joined in as a partner. There was a six quarter pilot period during which the questionnaire was conceived and fine tuned, the methodology elaborated, systems developed, and data analysed. The test period validated the concept of a business tendency survey for this industry. Quarter 2, 2005 is the first period in production. For production, the partnership between the Canadian Tourism Commission, Statistics Canada, and the Ontario Ministry of Tourism and Recreation has been reconfirmed.

Methodology

The target population consists of all statistical establishments (sometimes referred to as firms or units) classified as Traveller Accommodation (NAICS 72111) according to the North American Industry Classification System (NAICS) during the reference year.

As part of the estimation process, survey data are weighted by revenue to produce final industry estimates and are based on a sub-sample of the Annual Survey of Traveller Accommodation. The weights are based on the revenue size reported to the Annual Survey of Traveller Accommodation. Consequently, the larger businesses have a correspondingly larger impact on the results than smaller businesses.

The balance of opinion is determined by subtracting the proportion of traveller accommodation businesses that stated their business activity would be ”lower” from the proportion who believed their activity would be “higher”. Hence a positive result indicates a positive outlook.

Collection

The sampling/collection unit is the statistical establishment. The sample size for this survey is approximately 1,400 collection entities.

Responding to this survey is voluntary. Data are collected directly from survey respondents as shown in Figure 1. Data are collected through a fax-out/fax-back method. Respondents also have an option of mail back or over the telephone. In 2005 quarter 2, 85% of the respondents replied to the survey by fax.

Figure 1

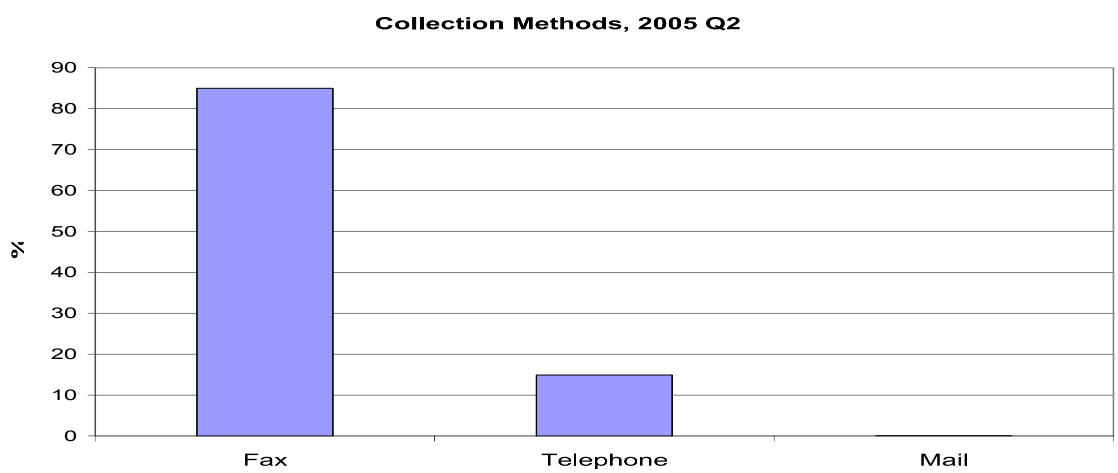
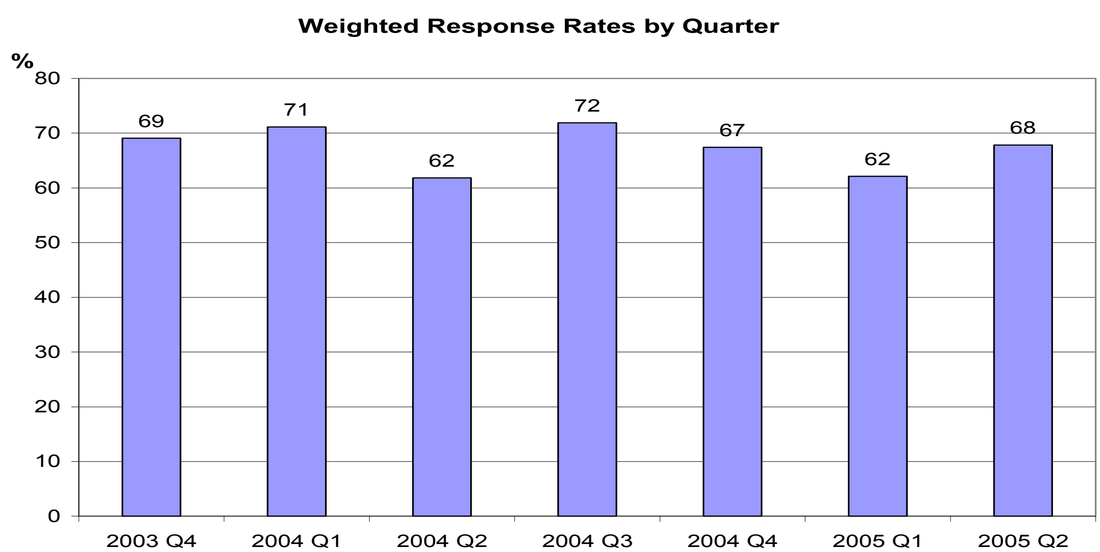


Figure 2 shows that the response rate for this survey has been very good since the beginning of this project. Response rates range from a high of 72% to 62%. The average response rate from 2003 quarter 4 to 2005 quarter 2 is 67%.

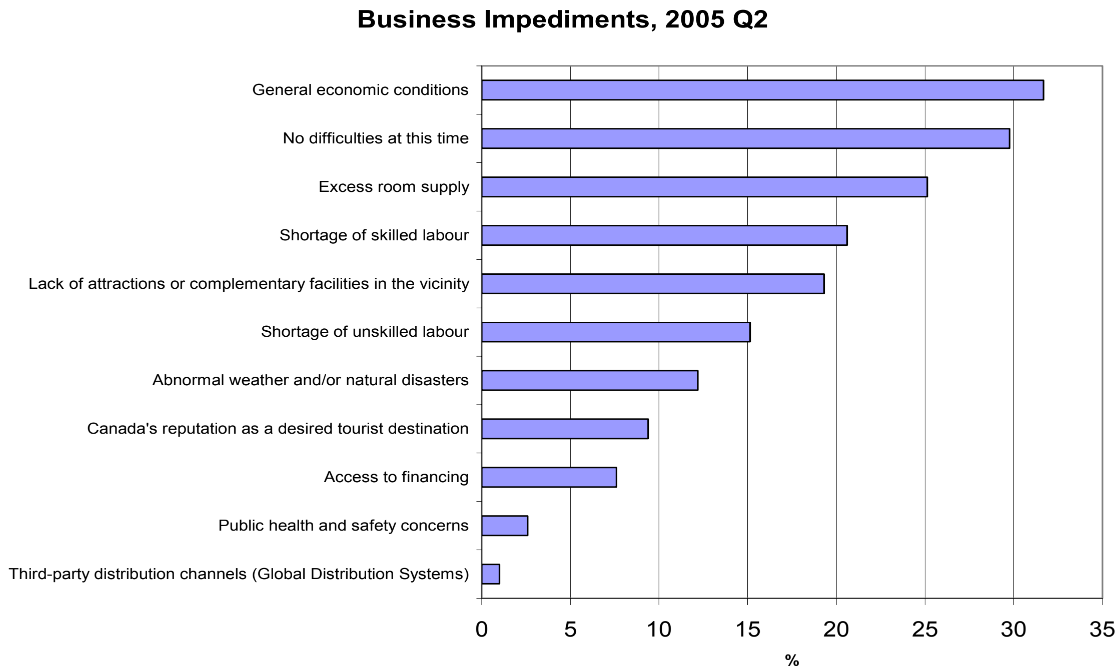
Figure 2



Results

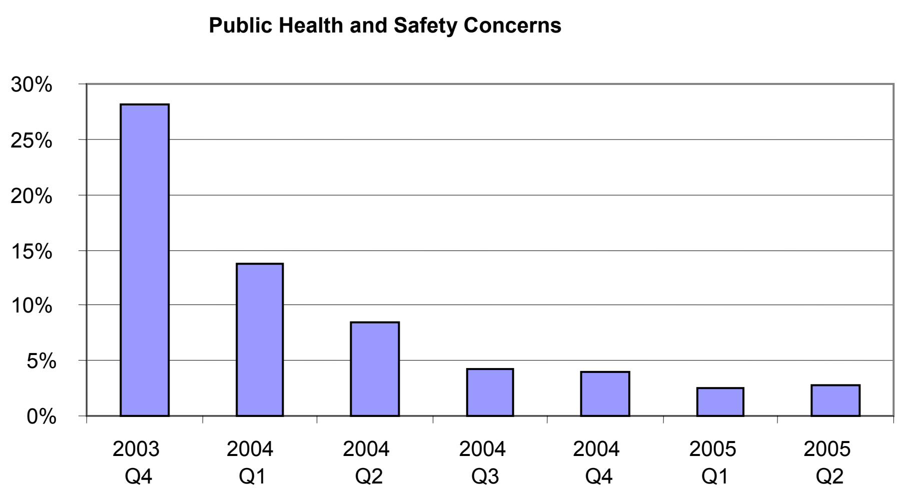
Economic conditions in general have been a major concern (see Figure 3). Virtually one-third of hotel operators reported that the economic climate had been a major impediment to the hospitality business. One in four cited excess room supply as an impediment, while one in five cited a shortage of skilled labour.

Figure 3



Conversely, public health and safety, which was among the top business impediments a year ago, appears to no longer be a primary concern for accommodation providers (Figure 4). Only 3% listed it for the second quarter 2005.

Figure 4



The BCS-TA asks respondents for their opinions about occupancy rates over the previous three months. The past quarter occupancy rates (Figure 5) are collected to help measure the accuracy and reliability of the previous quarters' future expectations for occupancy rates (Figure 6).

Figure 5

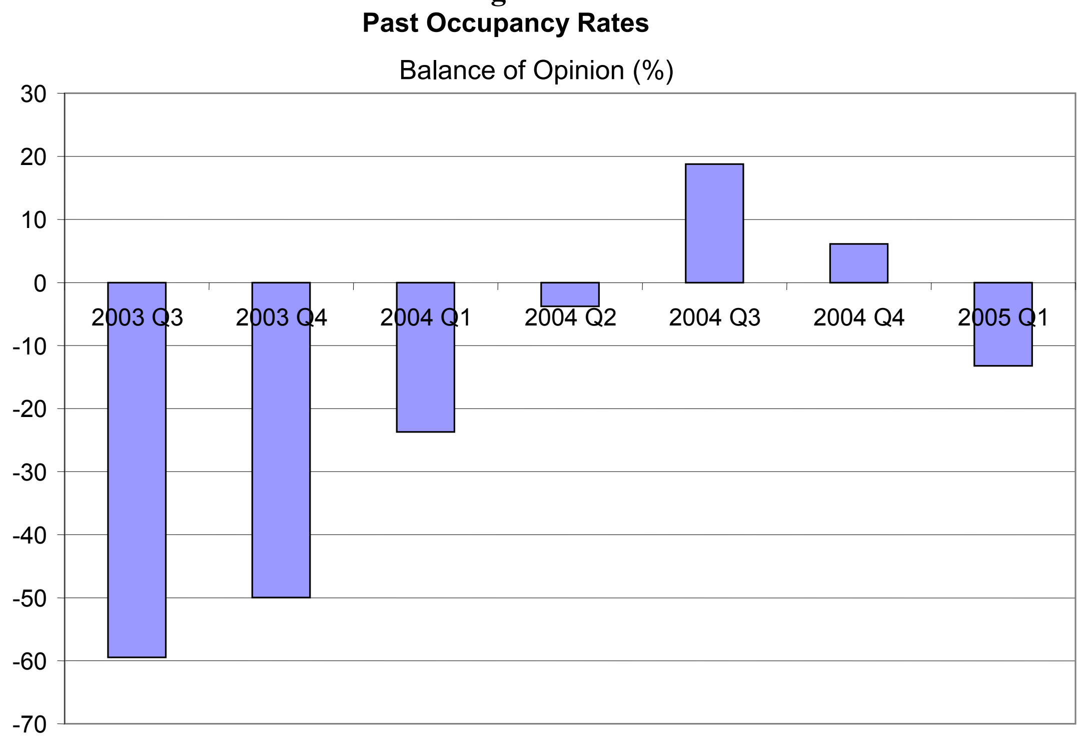
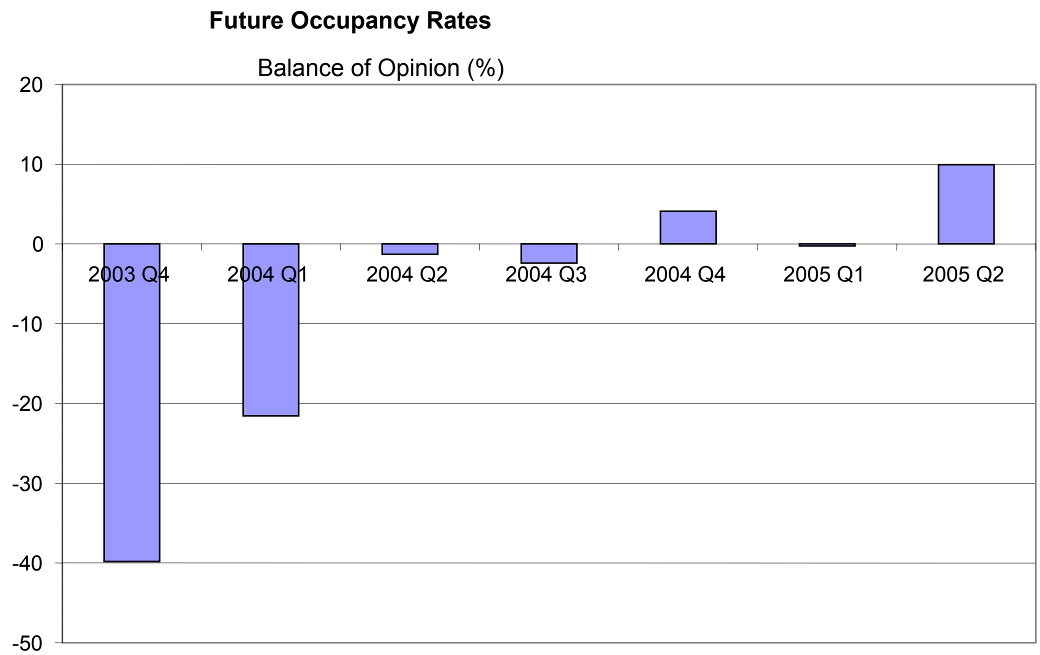
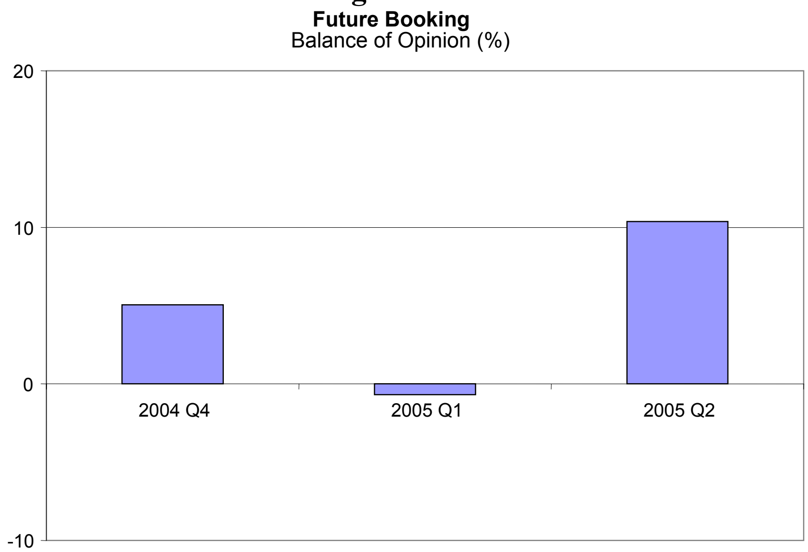


Figure 6



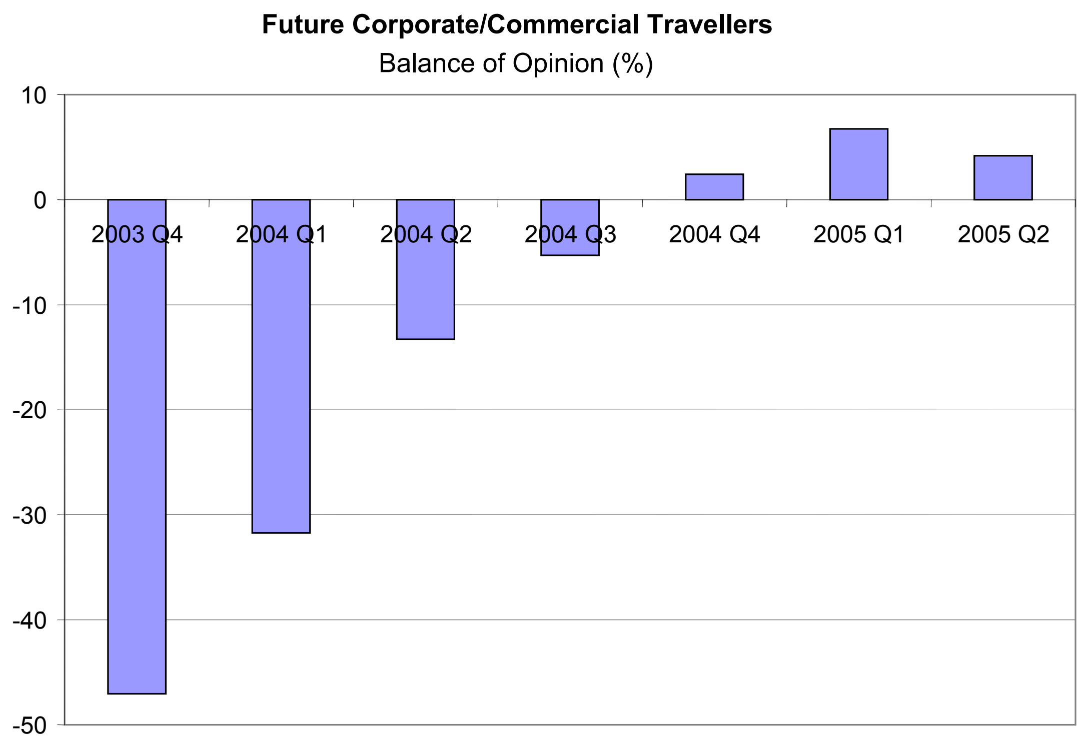
A question about the anticipated number of room-nights booked was added to the questionnaire in 2004 quarter 4 (Figure 7). The outlook for room-night bookings coincides with the expected occupancy rates as shown in Figure 6.

Figure 7



Hoteliers are becoming more optimistic about attracting more business travellers. In the beginning of our project, hotel operators had a negative view of drawing corporate and commercial clients. This pessimistic outlook remained from 2003 quarter 4 to 2004 quarter 3. There appears to be a turn around in the expectations of hoteliers starting in 2004 quarter 4; this positive outlook continued through to 2005 (Figure 8).

Figure 8



After having experienced erosion in their average room rates for four quarters (Figure 9), average room rates are expected to rise. Respondents were the most pessimistic about anticipated room rates in 2003, quarter 4. The balance of opinion recorded a low of -42 during the first-ever survey cycle. However, future expectations gradually improved, hitting a high of 28 in 2005, quarter 1.

Figure 9

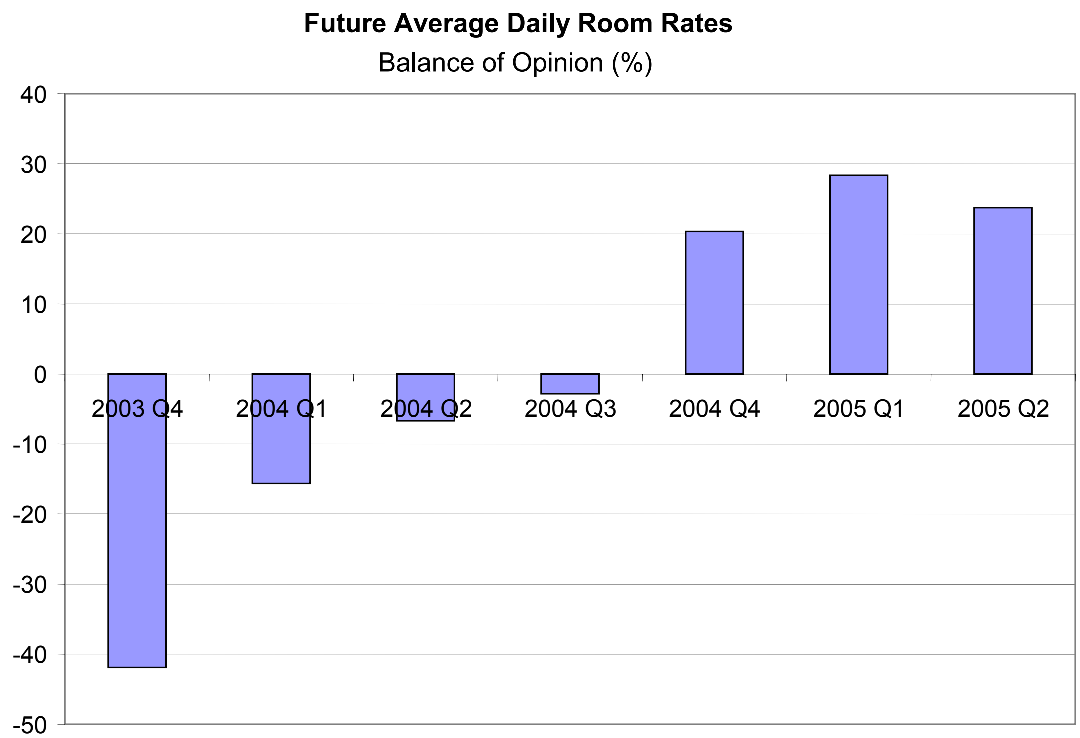
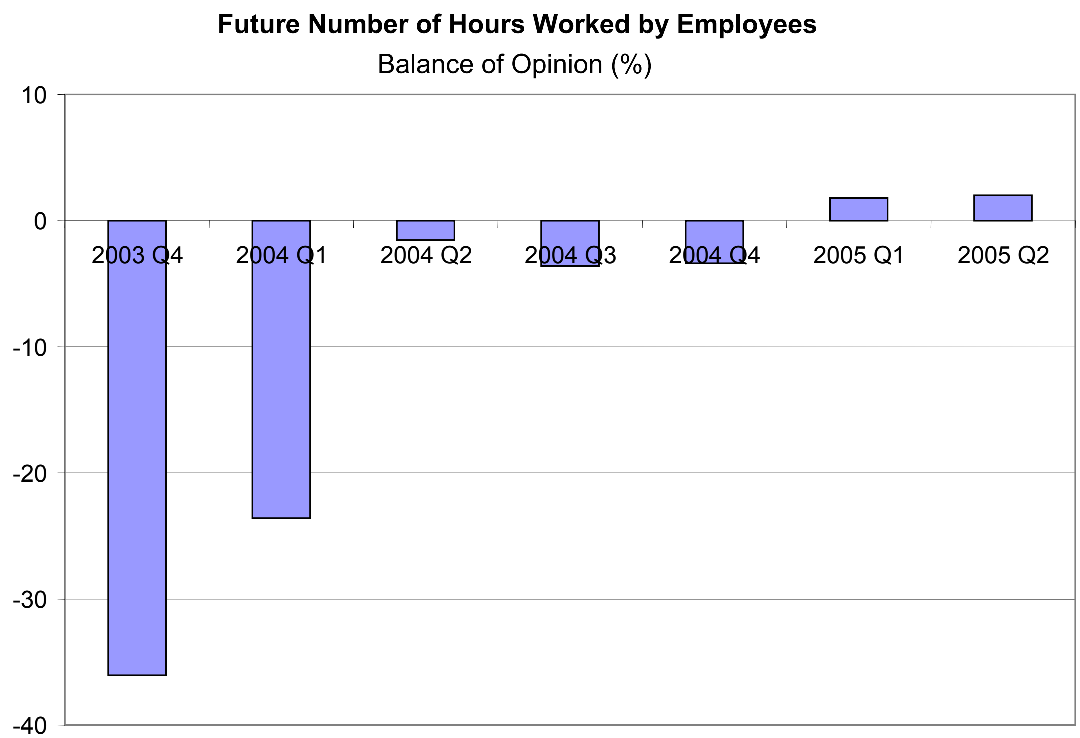


Figure 10 shows that despite a pessimistic start over the first two quarters data was collected, expectations for the number of hours worked by employees have remained steady over the past year. In the last five quarters, the balance of opinion has been almost neutral.

Figure 10



Conclusion

During the seven quarters of this survey, the Business Conditions Survey for Traveller Accommodation seems to have tracked well economic conditions. From the depth of the 2003 SARS and war induced slowdown in this industry, economic conditions have steadily improved. For the second quarter of 2005, hoteliers are slightly optimistic about future occupancy rates and booking and very optimistic about increasing room rates; however there does not seem to be a general expectation of increasing the number of hours worked by hotel and motel employees.