

VANCOUVER: TOP NORTH AMERICAN ROOM RATE DISCOUNTER

One of the scariest, and most disappointing, trends we've seen as a result of the current economic malaise is the tendency of Canadian hoteliers to rely on price discounting as a marketing tool. Disappointing, because as purveyors of "consumer products" (i.e., hotel rooms) the long-term impact of rate discounting is clear: a prolonged period of recovery to return rates to pre-downturn levels. Scary, given the magnitude of discounts being offered as well as the reliance on what has seemingly become the first point of marketing differentiation to be employed by spooked hotel managers and sales people.

Recently Hotwire released the June version of the Hotwire Hotel Rate Report (www.hotwire.com/hotelratereport) and the findings weren't pretty. Hotwire is, in the simplest of terms, a discount travel site offering unsold inventory of hotel and transportation companies at prices far below retail. The Report is produced on a monthly basis and identifies the 10 cities in North America where rates have been discounted the most over the same month the previous year. The Report does not speak to those markets that have tended to be underpriced on an historical basis, rather those where discounts in 2009 place average rates significantly below rates achieved in 2008.

In June 2009, Canadian cities made the list three times, headlined by Vancouver where room rates were shown to be some 38% below June 2008. Montreal was in fifth place, 23% below last year while Toronto came in at seventh place. Other North American cities making the list include New York, Los Angeles, Orlando and Las Vegas.

Hotel Price Reductions in the U.S. & Canada for June 2009				
Example of a Current				
Rank	Hotel Market	Price Drop*	Hotwire Deal, US\$/Night	
1	Vancouver, BC	38%	3-star	\$70
2	New York City, NY	32%	3-star	\$119
3	San Diego, CA	29%	3-star	\$72
4	Tampa, FL	26%	3-star	\$71
5	Montreal, QC	23%	4-star	\$97
6	Las Vegas, NV	23%	4-star	\$76
7	Toronto, ON	23%	4-star	\$77
8	Oahu, HI	22%	3-star	\$74
9	Orlando, FL	22%	4-star	\$69
10	Los Angeles, CA	21%	3-star	\$74

Source: Hotwire.com *June 2009 versus June 2008

Hotwire initiated the hotel rate report in March 2009. Since inception, Toronto and Vancouver have been among the Top Ten North American cities from a rate discounting perspective. Montreal joined the list in March but managed to avoid listing in May and April.

Interestingly at only -1.4%, Toronto's 2008 occupancy rate variance over 2007 was the fifth lowest decline of Smith Travel Research's 28-city North American sample. Vancouver was twelfth lowest and Montreal eighteenth. So, why is rate discounting being used aggressively, and particularly in markets where demand has been relatively strong? For several reasons, including:

- Softness in the meetings and convention business—call it "AIG Syndrome" or just belt tightening, but corporate as well as some association meetings are being delayed, reduced or cancelled altogether. Many of those going ahead have seen significant attendance reductions.
- Short-term booking windows—whether leisure, group or corporate, many more reservations are being made at the last minute causing hoteliers to scramble to fill unreserved inventory.
- Decline in American visitation—this problem is particularly acute in border communities such as Niagara Falls, where estimates of U.S. visitor declines (likely overstated) have reached 40% since the imposition of passport requirements on June 1st.

Will this be a summer of discontent for the Canadian hotel industry? The skittishness of some hoteliers in these major Canadian cities, as evidenced by rate discounting in markets where demand is comparatively strong (versus several large U.S. cities for example) suggests a less than optimistic outlook through the balance of the year. By comparison, second-tier markets predominantly in western provinces, like Regina and Saskatoon, are posting impressive results.

"There is no victory at bargain basement prices." Dwight D. Eisenhower

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