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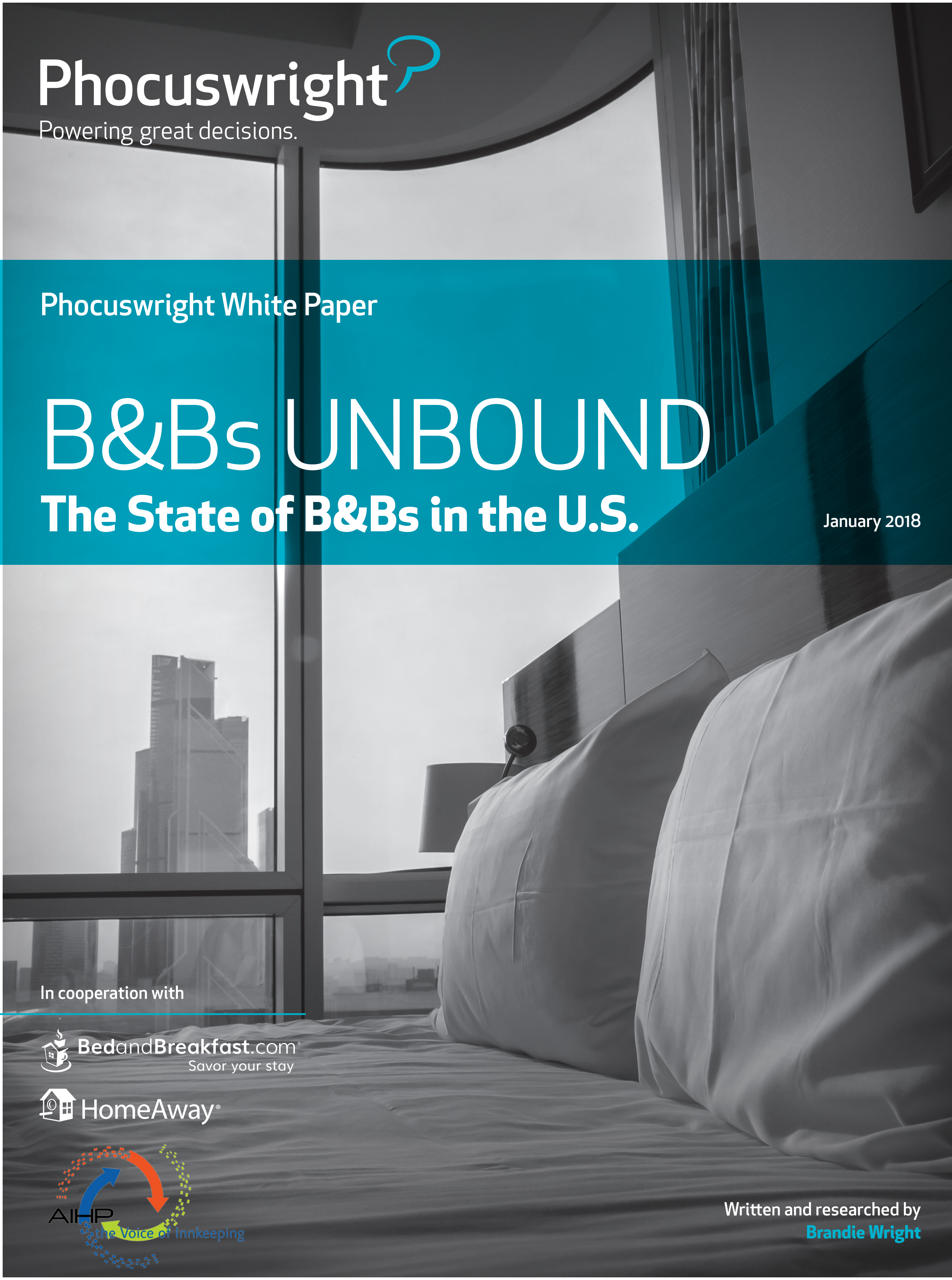
Phocuswright White Paper

B&Bs UNBOUND

The State of B&Bs in the U.S.

January 2018



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Written and researched by
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B&Bs Unbound – The State of B&Bs in the U.S.

Introduction

From luxurious five-star resorts and swanky urban hotels to private accommodation rentals and hostels, today's traveler has endless lodging options to choose from for their next trip. Although deeply rooted within the U.S. lodging sector, the bed and breakfast segment of the broader hospitality industry is often overshadowed by hotels and overlooked by travelers. However, B&Bs – where breakfast is guaranteed and other meals may or may not be served – offer an array of unique characteristics that are hard to come by in other options.

B&Bs have been around for many years, even decades, and provide traditional charm and service level that can't always be found in big hotel chains and larger properties. However, despite being long-established, there's still a great deal of confusion and difficulty categorizing this dynamic segment. The term bed and breakfast is often loosely used, as B&B properties can vary drastically from one to the next and use various terms to illustrate the establishment. Travelers also may not be fully aware of the type of establishment they choose or view a property differently than portrayed. Two in five innkeepers also describe their property as a historic inn, followed by country inn and boutique hotel. However, B&B guests use all sorts of terms to describe their last B&B, including country inn (15%), guest cottage (13%), homestay (11%), private home (10%) and historic inn (10%).

Like other alternative lodging segments, the B&B industry is extremely fragmented with a long tail of small, independent operators. The average B&B has eight guestrooms – some have as few as two rooms or as many as 40. As with many industries, B&B operators of various sizes can have stark contrasts in business performance. Bigger operators tend to show higher occupancy, higher ADRs and higher technology adoption than smaller B&Bs.

Regardless of size, B&Bs still serve a smaller segment of travelers than traditional hotels or private accommodation, but small updates to technology and tweaks to promotional strategies can help innkeepers reach travelers on the fence and those who may not even consider B&Bs as an option. Unlike hotels and other niche lodging segments, B&Bs are successful at capturing direct bookings, most of which take place online, nonetheless. However, like other categories, OTAs prove to take prominence in the coming years.

Key Findings

The B&B Landscape

- The U.S. B&B market has a positive outlook for the coming years. The segment surpassed U.S. $4 billion in 2016 and is on track to reach close to $5 billion by 2020.

- The online B&B market will grow much faster. Online bookings will reach U.S. $3.7 billion by 2020, or over three quarters of gross bookings.

- B&B properties are widely spread throughout the U.S., serving travelers in all corners of the country. Over a third of B&B properties are located in the South.

The Role of B&Bs

- From low-end to high-end, accommodation options continue to spring up around the country. However, most B&Bs are long-established operations as over half have been in operation for longer than a decade.

- Unlike hotel chains, B&Bs are deeply rooted in the lives of the innkeepers that run them. Most are mom and pop establishments handed down through generations, and provide a full-time occupation and primary source of income for the vast majority of owners.

B&B Value Proposition and Competitive Landscape

- As expected with B&B properties, breakfast is by far the most common service offered to guests – some offer a small continental option but 85% provide a full breakfast.

- In addition to standard services and amenities, some B&Bs also provide services that generate additional revenue streams. Wedding facilities and conference rooms top the list for ancillary revenue, though less than a third of operators offer such services.

- What B&Bs perceive as competition isn't exactly in line with traveler behavior. Most operators view private accommodations and other B&Bs as top threats, however, B&B travelers are more likely to consider budget, midscale and upscale hotels before private accommodations.

- Online ratings and reviews not only provide value to travelers during the shopping phase, but are critical to the success of B&Bs. Three in four innkeepers say ratings and reviews on online travel sites are the primary reason travelers chose to stay in their B&B.

Channel Distribution and Marketing

- Despite a long tail of small operators that dominates the industry, direct bookings dominate. Three quarters of bookings were made through direct channels in 2016, the majority of which were placed through B&B websites. However, direct online and offline channels will slowly decline to the benefit of OTAs in the coming years.

- Online bookings dominate for travelers as well. B&B websites are the top source for discovering B&B properties, but online intermediaries such as Airbnb, TripAdvisor, Expedia and others play a large and growing role.

- Of the top five online agencies B&Bs use to list their property, BedandBreakfast.com receives high marks for service, support, and guest quality. Airbnb scores highest on favorable commission rates, because the site charges a lower hosting fee but includes a fee for travelers.

The B&B Traveler

- B&B travelers prove to be valuable customers. They tend to take short jaunts when they travel, but they get away more often and spend more on travel products than the average leisure traveler.

- B&B guests are big into rest and relaxation. B&Bers are likely to consider themselves a foodie or rejuvenator, whereas non-B&B travelers identify more as outdoor adventurers, theater buffs and adrenaline junkies.

B&B Guest Satisfaction

- Aside from complimentary breakfast, free Wi-Fi, in-room TVs and daily room cleaning are the most important features when selecting a B&B.

The Non-B&B Traveler Opportunity

- Travelers who consider a B&B but ultimately book elsewhere are extremely important to innkeepers. Two in five non-B&B guests considered staying in a B&B within the past year but ended up elsewhere.

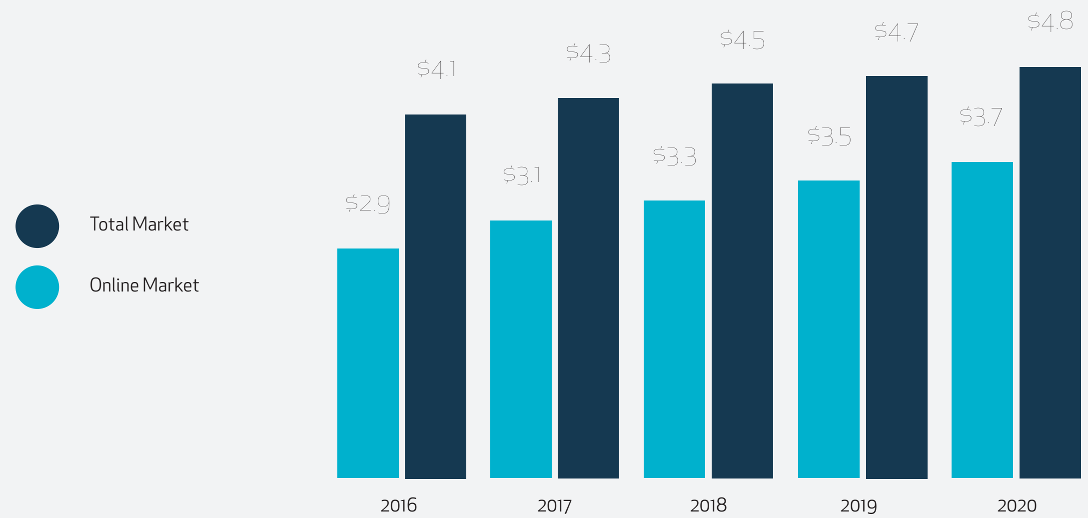
- Many travelers could easily be swayed into staying in a B&B – over a quarter of non-B&B travelers are very or extremely likely to consider one in the near future. Location and price are big factors, but more knowledge about the property and booking process could really help turn these would-be guests into paying customers.

- However, as some innkeepers suspect, many non-B&B travelers have distinct preferences for hotels and are unlikely to consider B&Bs in the future. These travelers indicate a clear preference for hotel services, property amenities and room amenities for reasons they do not consider B&Bs when traveling.

The U.S. B&B Market

Market size & structure

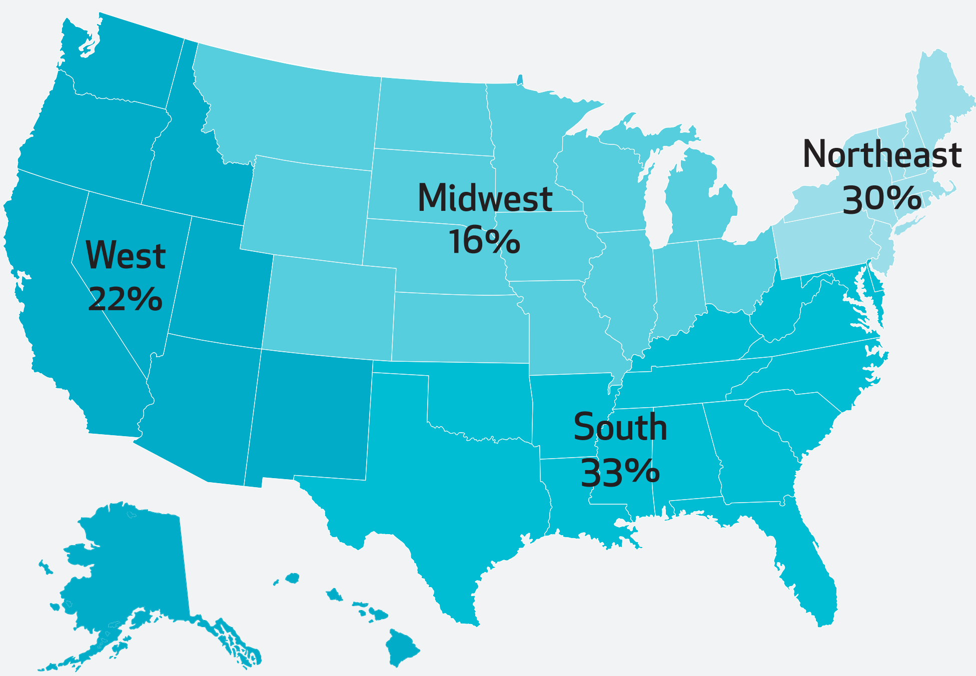
Figure 2:
U.S. B&B Total and Online Market (US$B), 2016-2020



	2016	2017	2018	2019	2020
Online Penetration	71%	72%	73%	75%	76%

Note: 2017-2020 projected.
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 3:
Where are B&Bs located?



Question: Where is your B&B located? Please select a country and state/province.
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

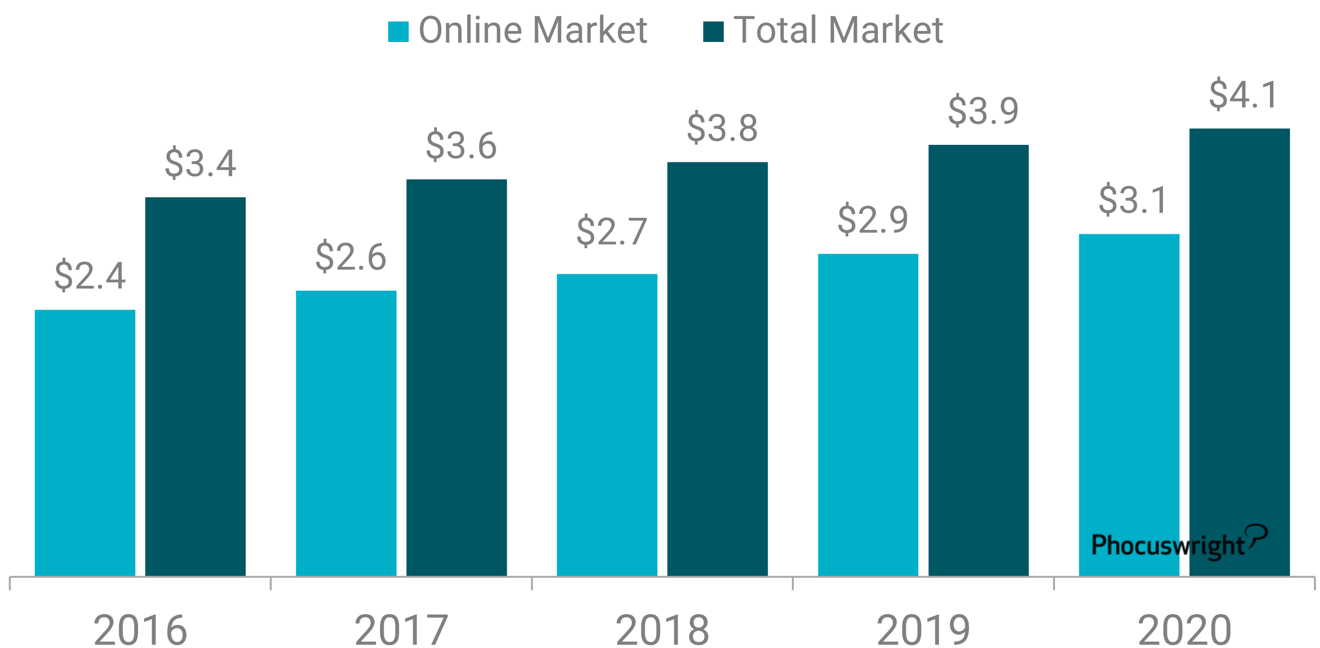
The U.S. B&B Market Reached $3.4B in 2016.

- **The industry will surpass $4 billion by 2020**, when over three quarters of gross bookings will be made online.
- **Direct channels account for over 70% of bookings**, but direct online will slowly decline to the benefit of OTAs in the coming years.
- Half of B&Bs project that **occupancy, ADR and overall business will grow** over the next year.
- Bigger operators have higher occupancy, higher ADRs and higher technology adoption than smaller B&Bs. **Do they perform better because they're bigger, or are they bigger because they're more sophisticated?** The jury is out.

Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S*

Over three quarters of gross bookings will be made online by 2020.

U.S. B&B Total and Online Market (US$B), 2016 to 2020



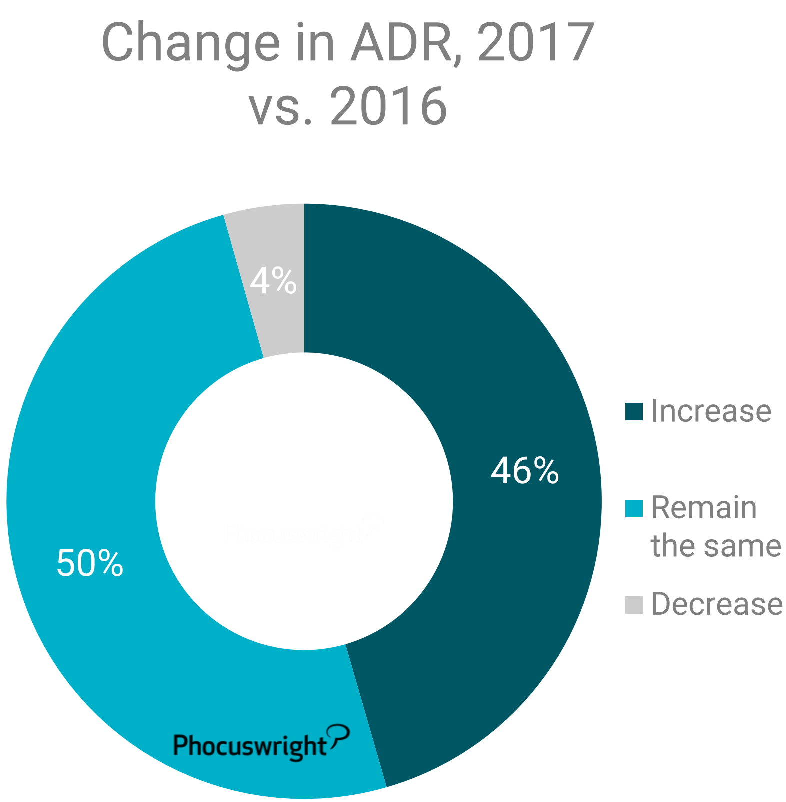
Online Penetration	70%	72%	73%	75%	77%

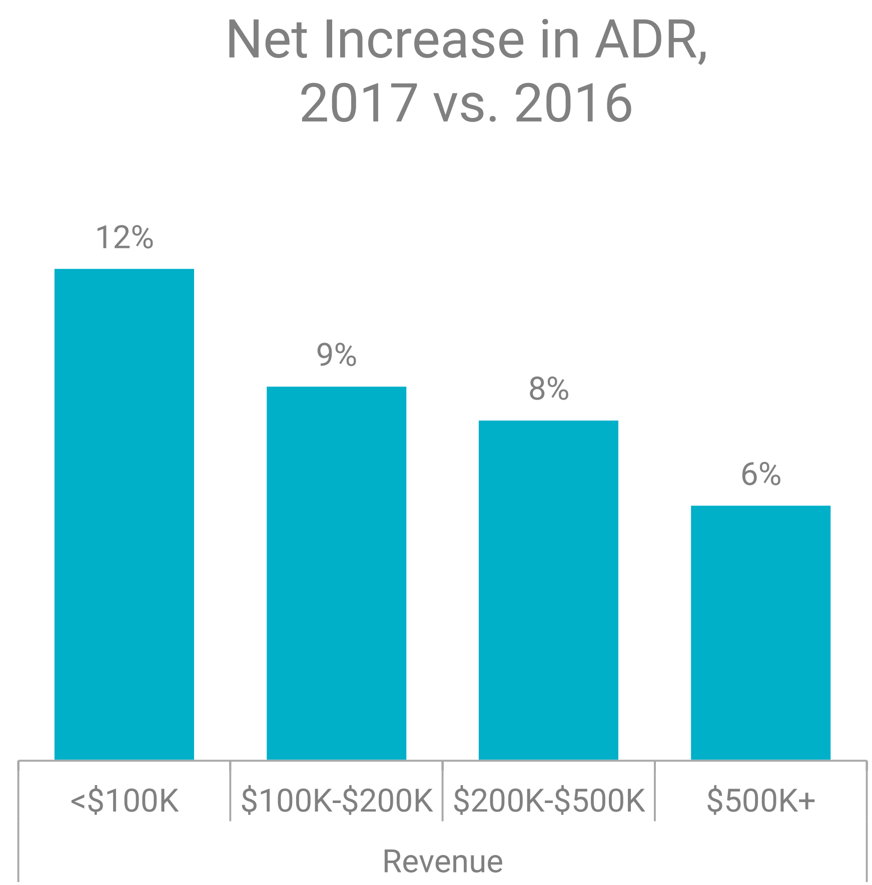
Note: 2017-2020 projected.
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

ADR in 2017

Q21: What is your B&B’s average nightly rate per room for 2017?
Base: Lodging establishments (N=503)
Source: Phocuswright’s *B&Bs Unbound – The State of B&Bs in the U.S.*

ADRs are also on the rise.





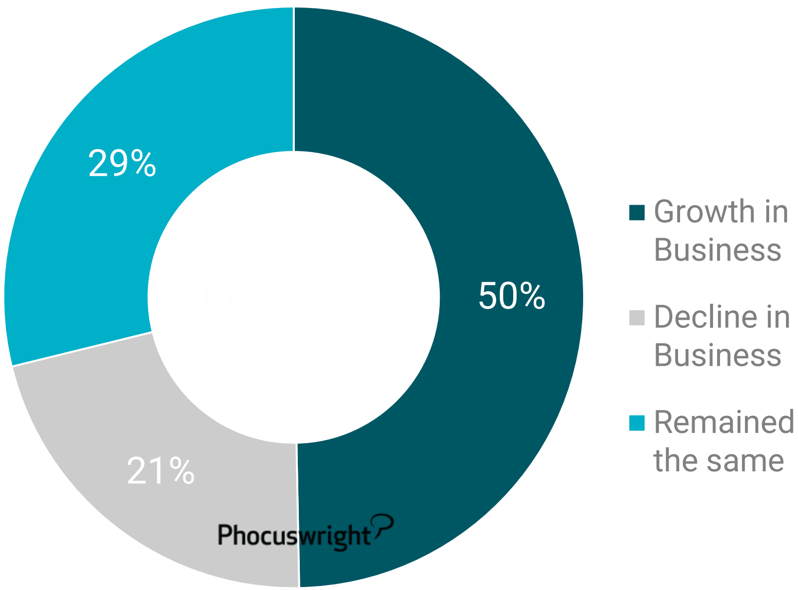
Q22: Did your average rates increase, decrease or remain the same in local currency in 2017 versus the same period in 2016? Q23: By how much did your average rates change in 2017 over the same period in 2016?

Base: Lodging establishments (N=503)

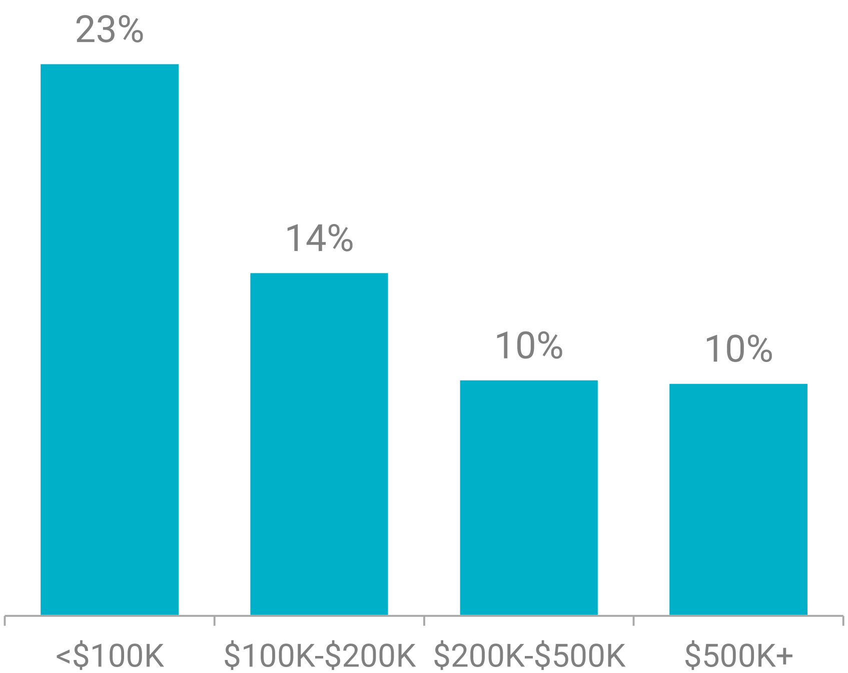
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

And business just keeps growing (mostly). Especially for small B&Bs.

Business growth, 2017 vs. 2016



Net increase in annual revenues, by company size



Q27: So far for 2017, did your business grow, decline or remain the same compared to 2016? Q28: By how much did your B&B business change over the past year?

Base: Lodging establishments (N=503)

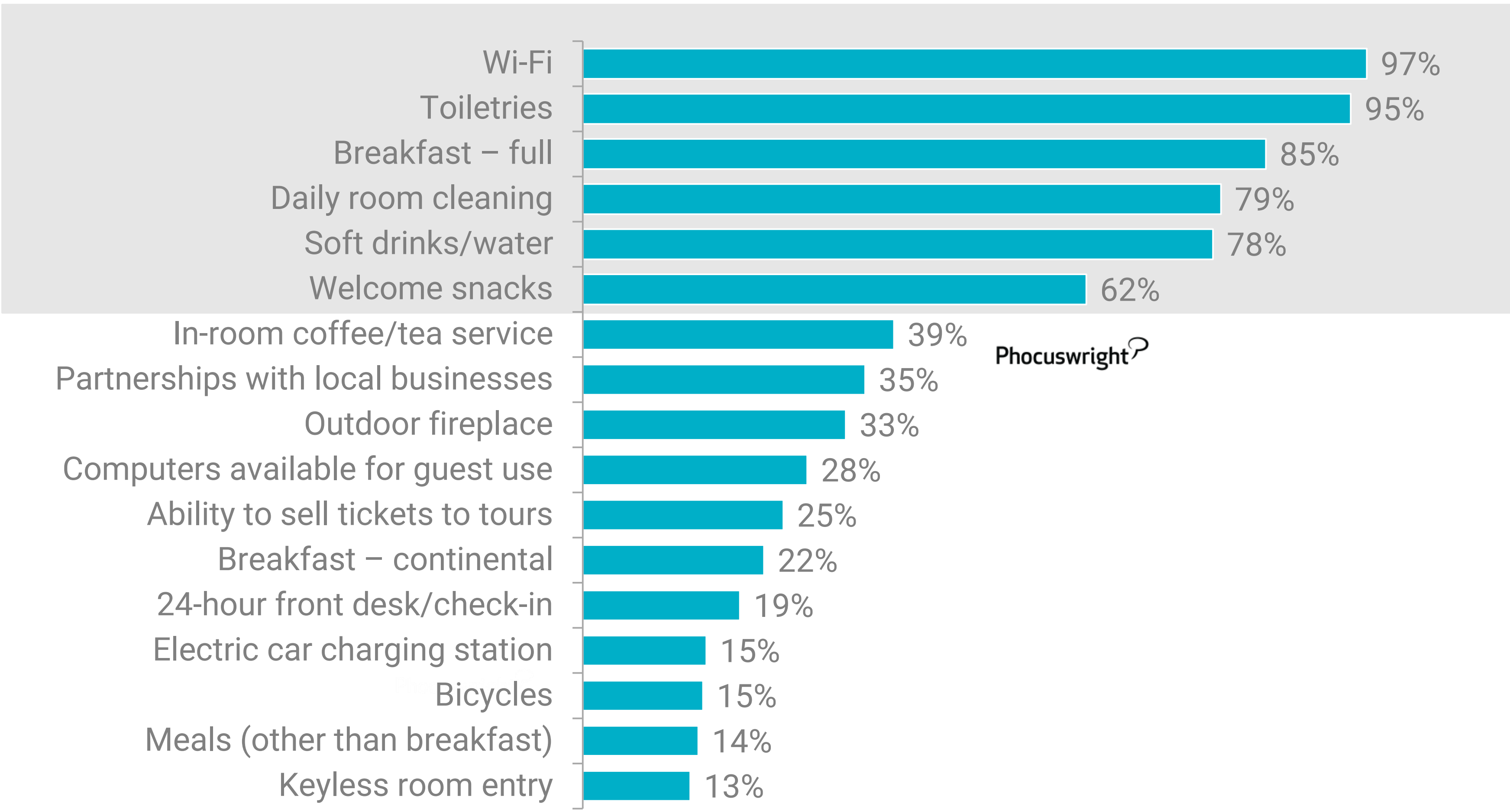
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

B&B Properties

Guest type and amenity offerings are rather consistent across the board, but many B&Bs have opportunities for additional revenue streams.

- The most common B&B guest is **35-54-years-old and traveling as a couple.**
- **Wi-Fi, toiletries and full breakfast** are most common amenities offered by B&Bs, though still not offered by 100% of operators.
- Over a third of operators have partnerships with local businesses – **with local tours and food delivery are most common.**
- **Wedding facilities and conference room rentals generate the most ancillary revenue**, yet less than a third of B&Bs offer these extra services.

Amenities offered



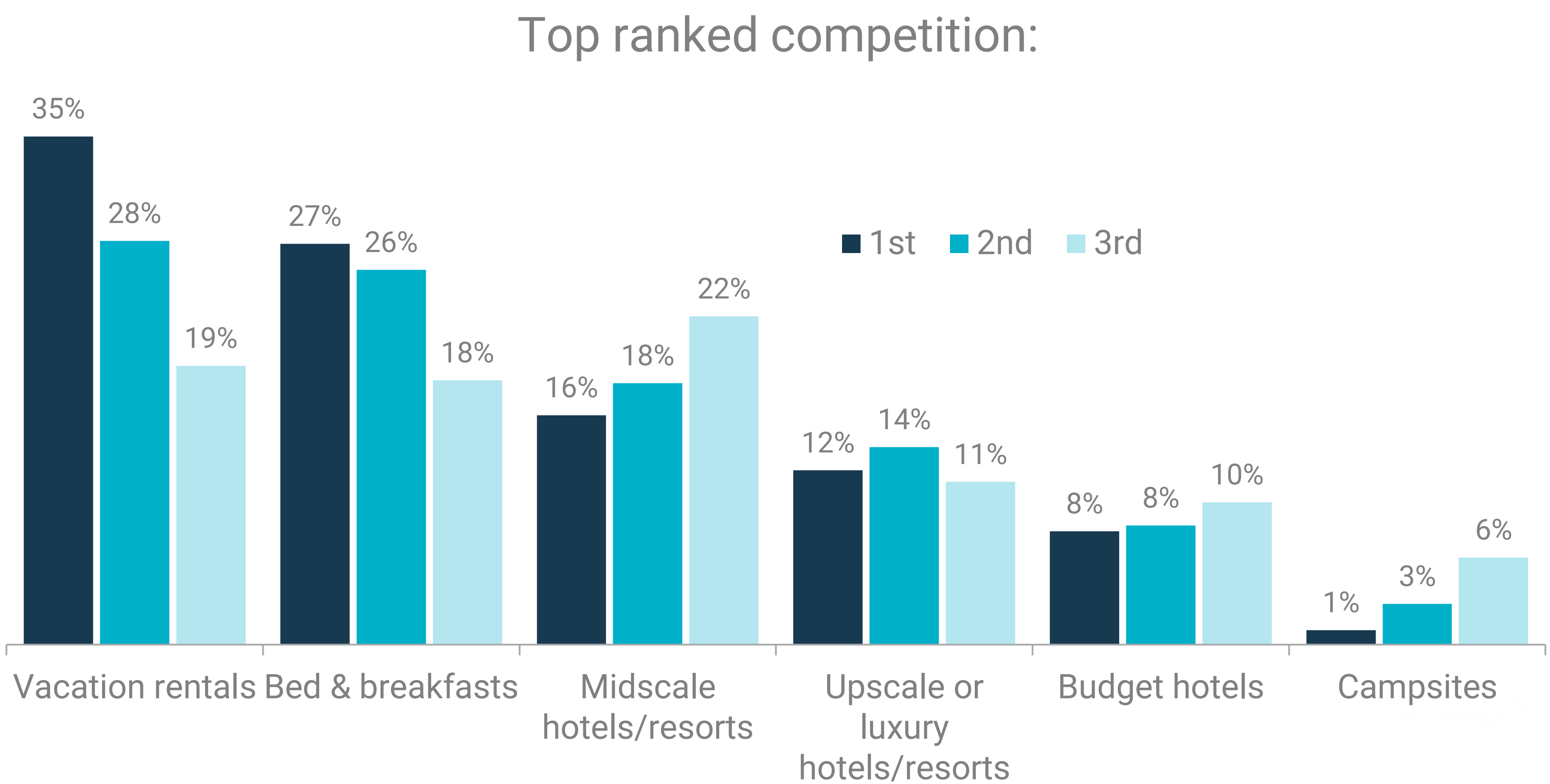
Q7: Which of the following amenities does your B&B offer to guests?
Base: Lodging establishments (N=503)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Competitive Landscape

Hotels are not a top concern for B&Bs.

- **Vacation rentals and nearby B&Bs** are biggest competition.
- Innkeepers believe **B&B guests and hotel guests are two different types of customers** – and hotel stayers likely don't want to stay with them anyways.
- **Guest ratings and reviews are huge to the success of B&Bs.** Three in four operators say travelers choose their B&B simply based on their reviews/ratings found online.

Vacation rentals and other B&Bs pose biggest competition.



Q11: Thinking of other accommodation types that you compete with for travelers in your city.
Base: Lodging establishments (N=503)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Hotels are not a concern. B&Bs just want to play fair with other B&Bs.

"Hotels are not primary competition – we have two different customers."

"We work hard for cooperation instead of competition. If I'm full, I'll always refer to another B&B in the area."

"My guests don't want to stay at local hotels. I'm competing with Airbnbs."

"We cohabitate well with B&BS that don't offer dinner/food. Their guests can come over here and eat."

"Hotel guests want a certain type of service. And we don't want hotel guests anyways."

"Biggest competition is other unique lodging opportunities."

Online ratings and reviews are huge to the success of B&Bs.

Rank	Reasons guests choose B&B over competition	%
1	Guest reviews/ratings	74%
2	Convenient location	33%
3	Staff friendliness/ experience	30%
4	Quality of rooms	28%
5	Boutique design	27%

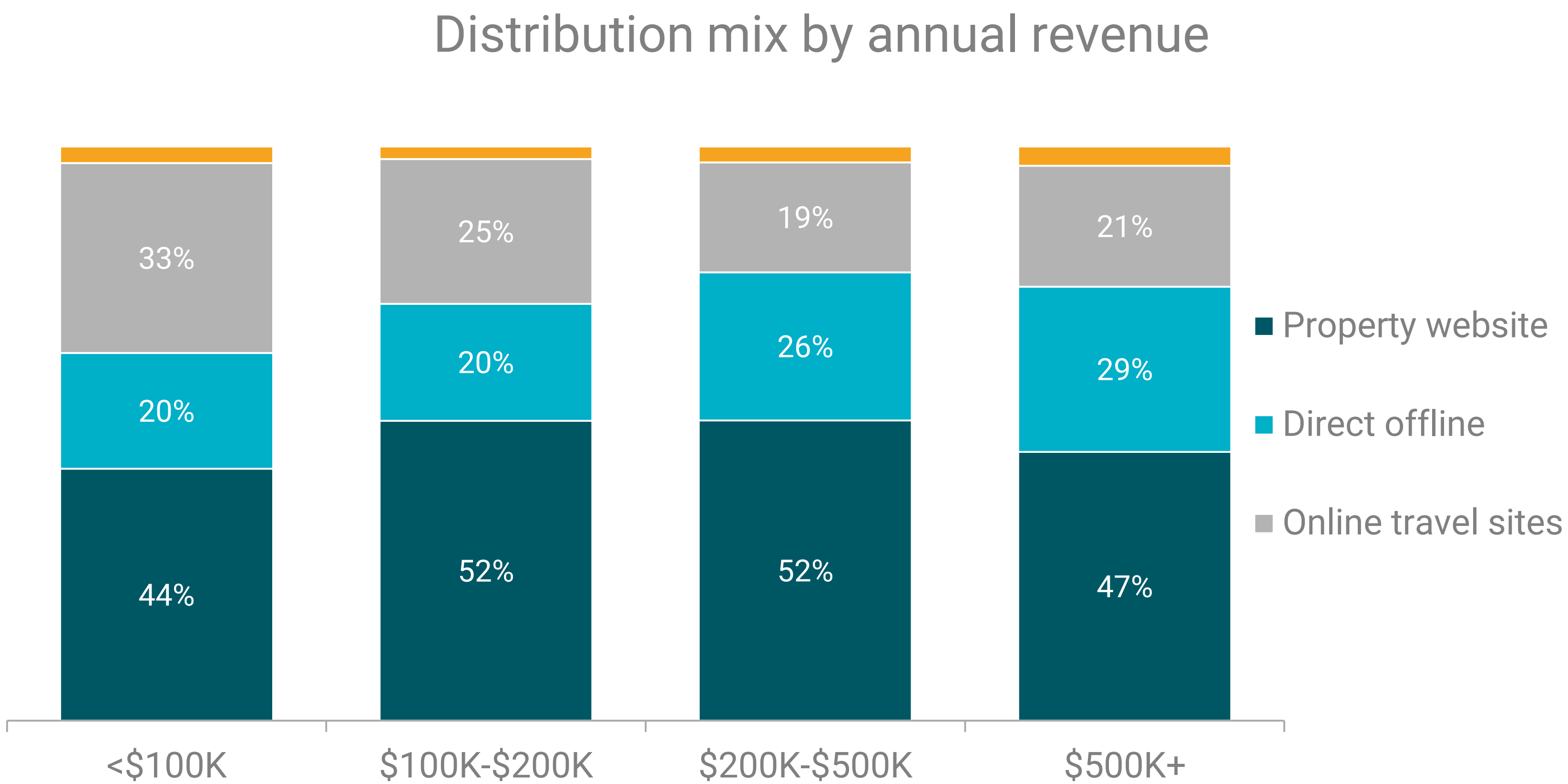
Q12: Why do travelers choose to stay in your B&B (versus other accommodation options in the city)?
Base: Lodging establishments (N=503)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Distribution

B&Bs shift from direct bookings to OTAs – and B&B.com is sitting pretty.

- **Direct bookings account for nearly three quarters of bookings**, and making the shift from offline to online.
- But, B&Bs are already feeling a channel shift to OTAs, and likely to see drastic changes in coming years. **Over half of B&Bs say OTAs are on the rise**.
- **Bedandbreakfast.com is the most popular website to list on** – and #1 site for generating bookings.
- B&B.com receives **high ratings for service and support, accessibility of support, and guest quality**. However, Airbnb proves to be a tough competitor.

Direct bookings dominate, but OTAs provide value for smaller B&Bs.

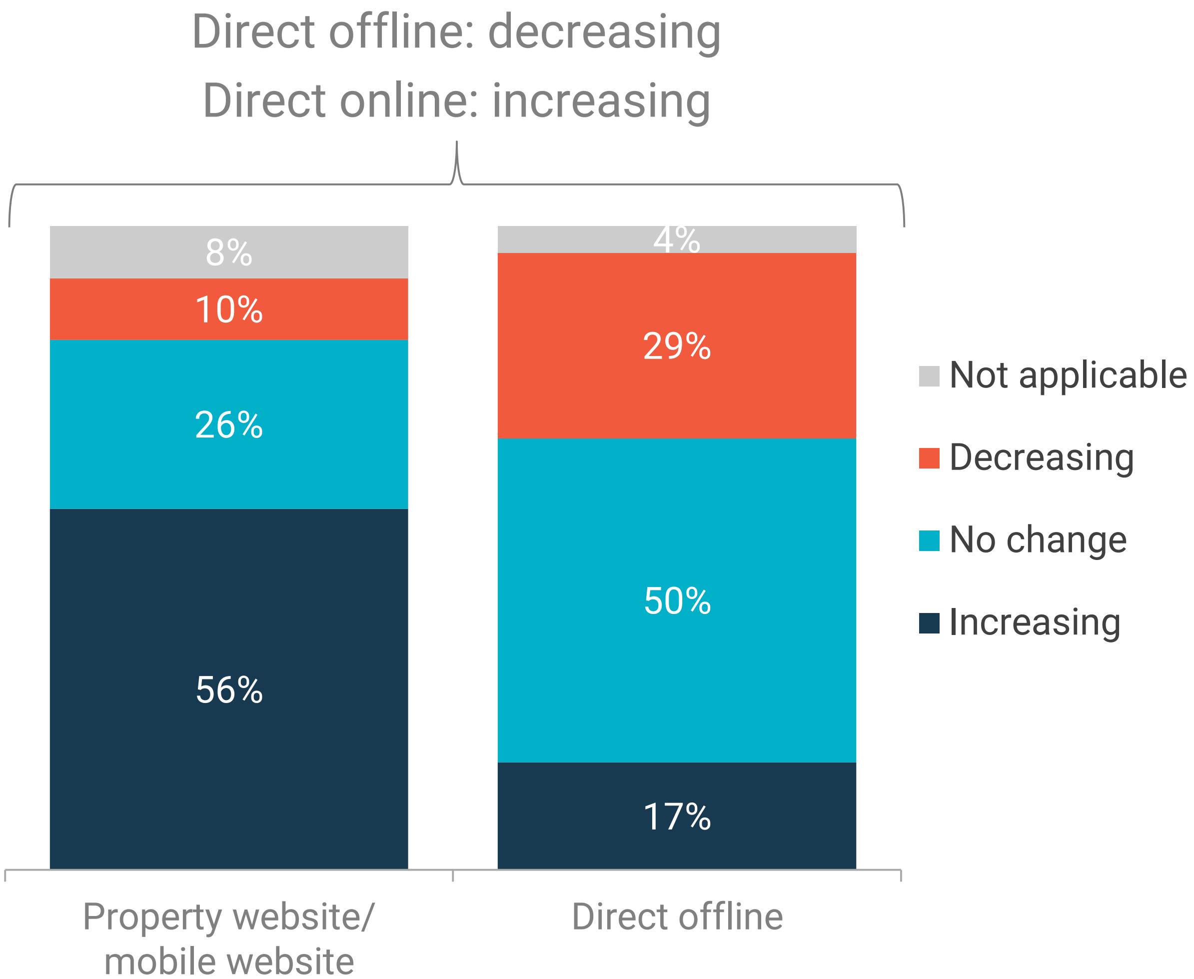


Q13: Please provide your best estimates regarding the percentages of your B&B's bookings for last year (2016) that came from the following distribution channels.

Base: Lodging establishments (N=503)

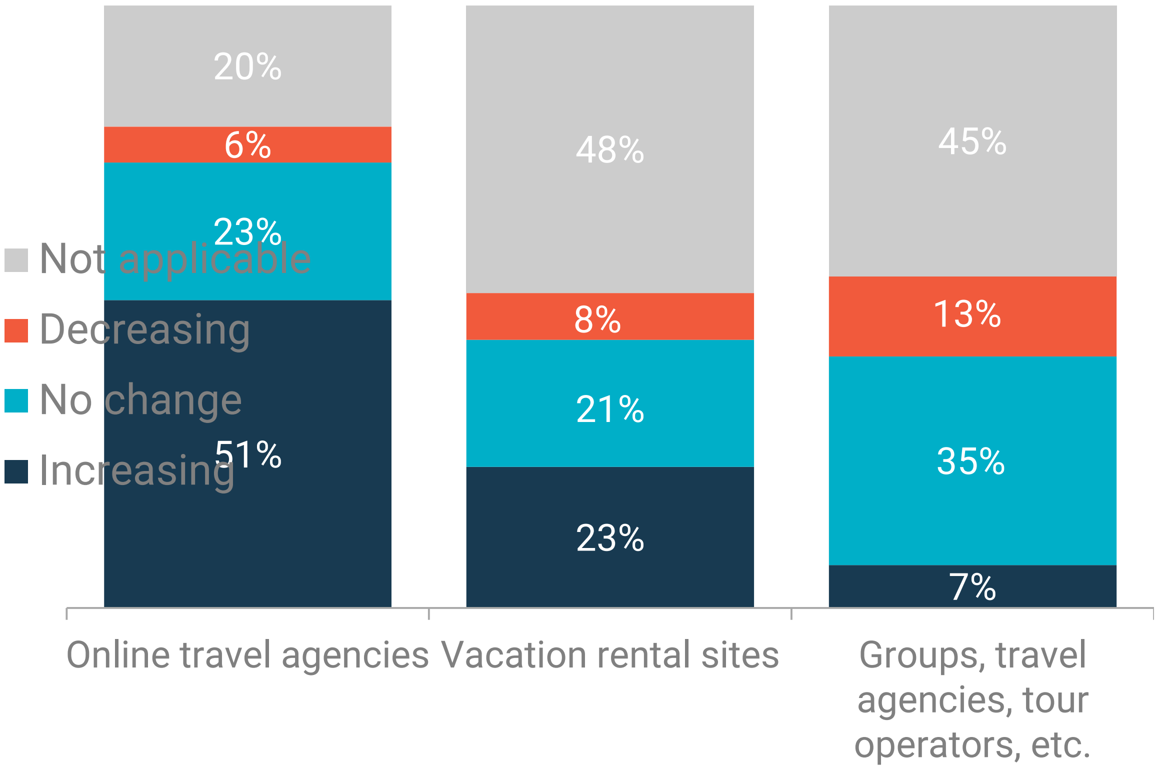
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

B&Bs shifting direct offline bookings to online.



Q14: Are these distribution channels increasing, decreasing, or staying the same?
Base: Lodging establishments (N=503)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Meanwhile, OTA presence is on the rise for over half of B&Bs.



14%

Average commission paid for bookings made through OTAS

Q14: Are these distribution channels increasing, decreasing, or staying the same?
Base: Lodging establishments (N=503)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

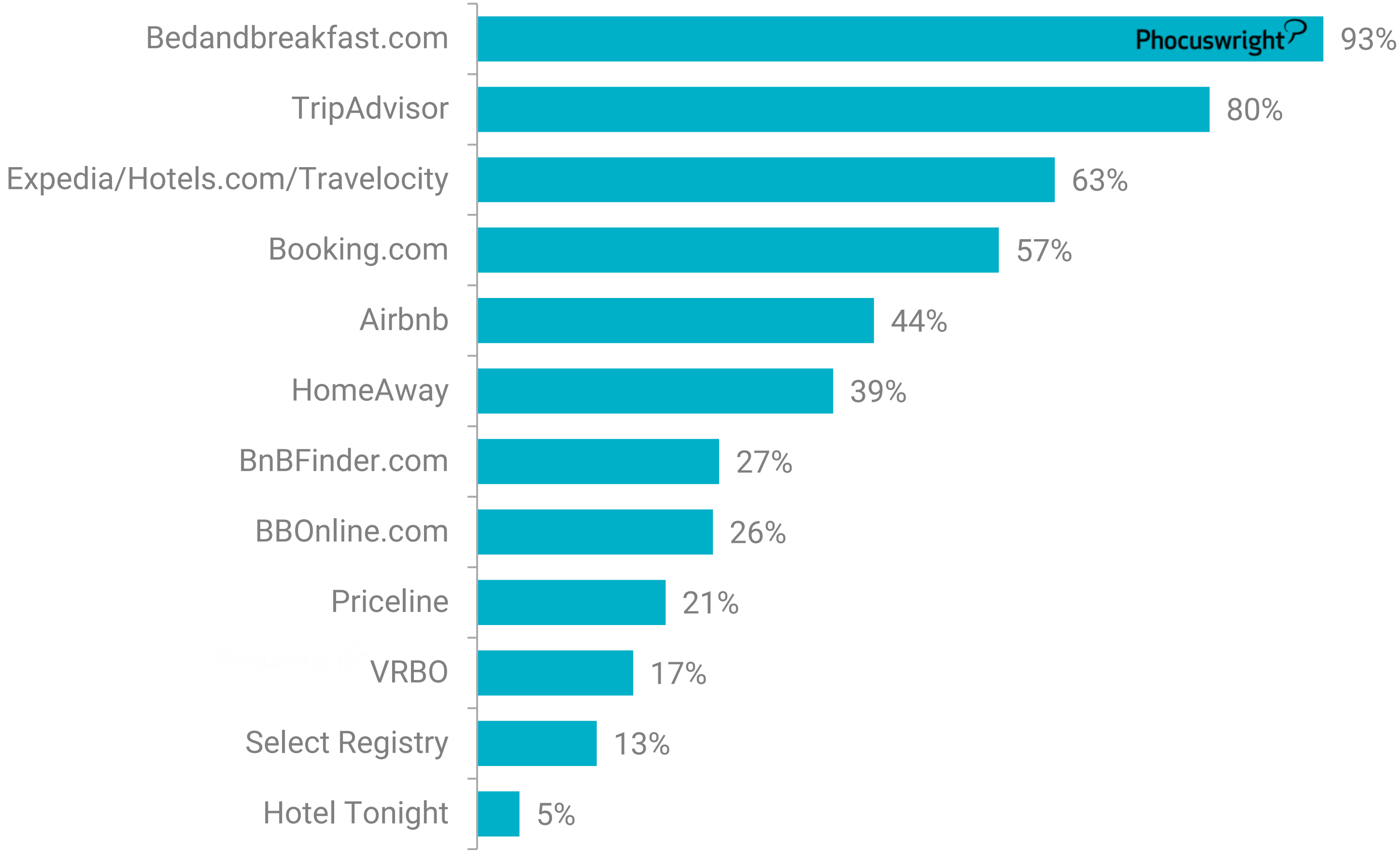
B&B.com most popular website to list on – and #1 site for generating bookings.

	Top listing sites	%
1	Bedandbreakfast.com	93%
2	TripAdvisor	80%
3	Expedia/ Hotels.com/ Travelocity	63%
4	Booking.com	57%
5	Airbnb	44%

	Top sites by booking volume	%
1	Bedandbreakfast.com	56%
2	Expedia/ Hotels.com/ Travelocity	46%
3	Booking.com	39%
4	TripAdvisor	36%
5	Airbnb	10%

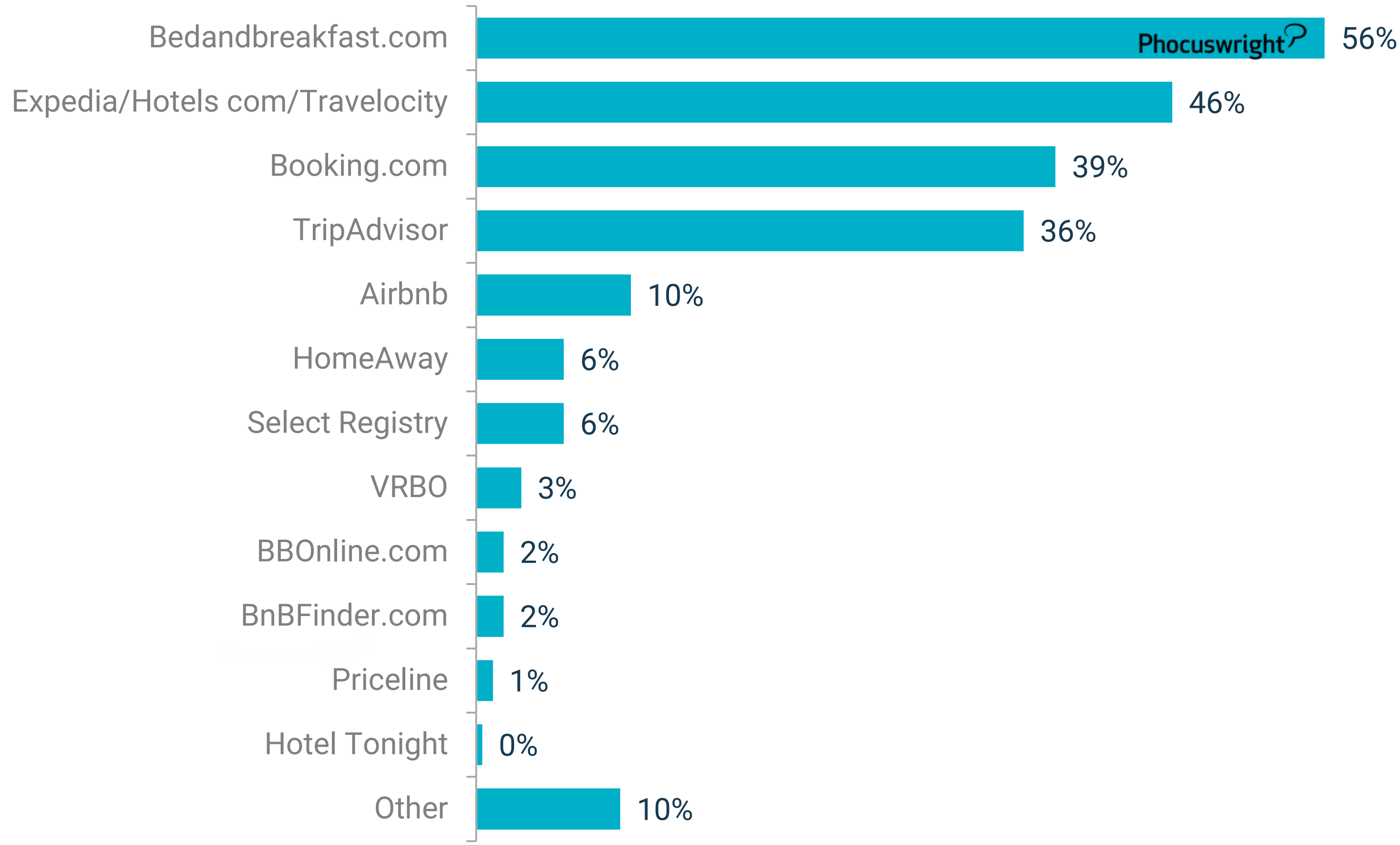
Q16: On what websites do you list your property? Q16a: Of the websites that you list on, which generate the most bookings?
Base: Lodging establishments (N=425)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Websites on which property is listed



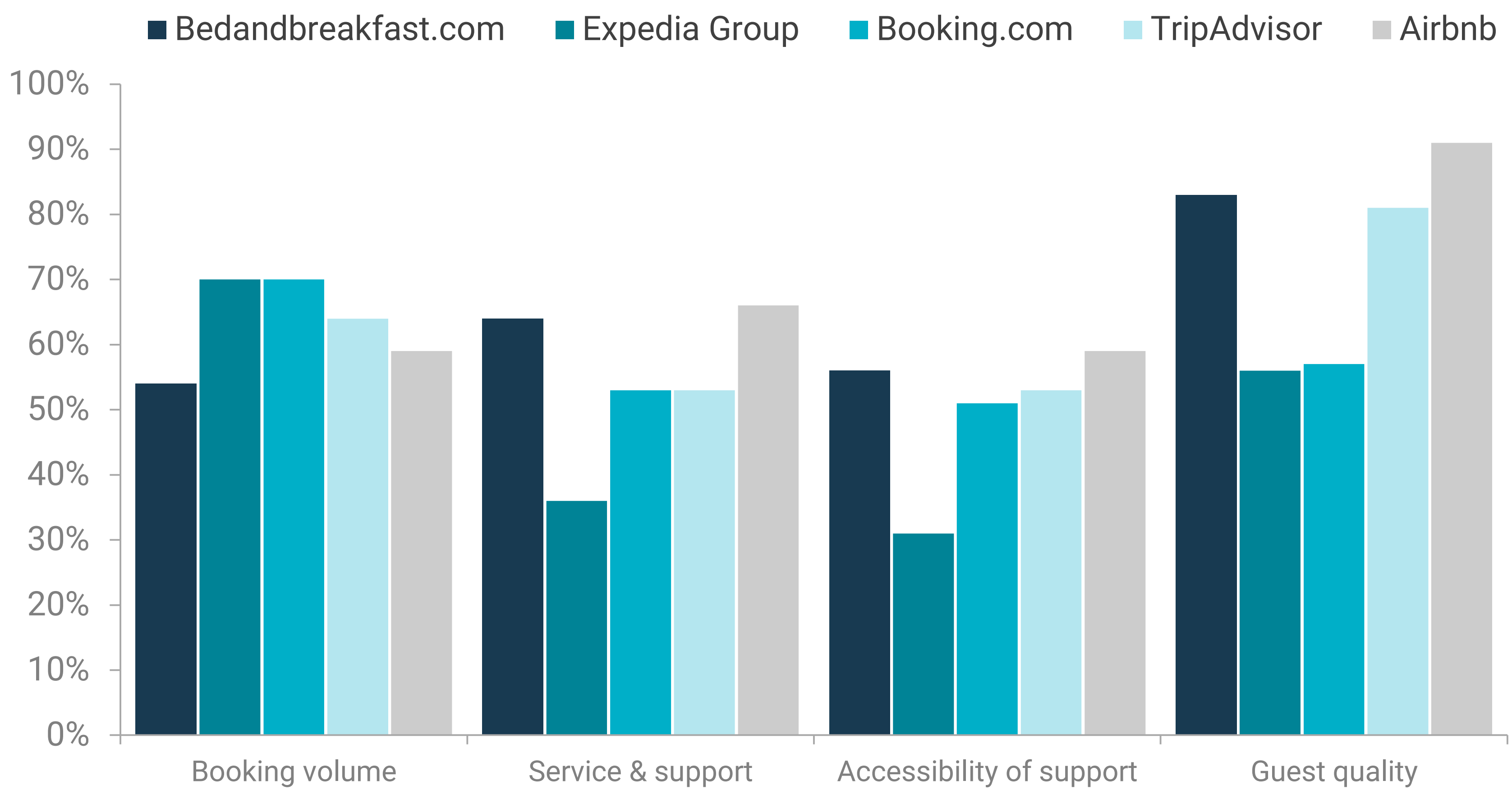
Q16: On what websites do you list your property?
Base: Lodging establishments (N=425)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Top websites by booking volume



Q16a: Of the websites that you list on, which generate the most bookings?
Base: Lodging establishments (N=425)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

OTA ratings (excellent / good)



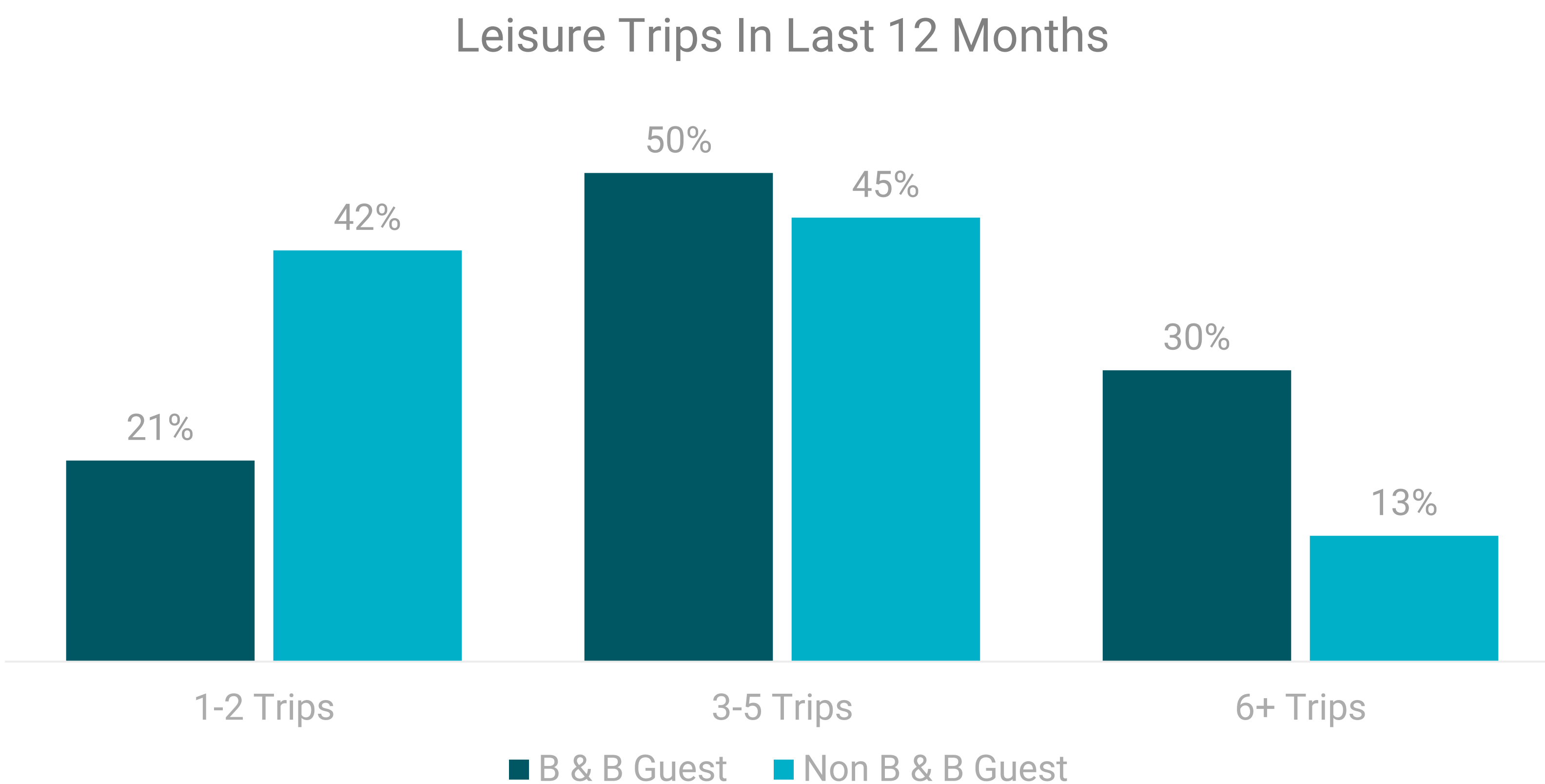
Q16c: Please rate on the following qualities on a scale of 1 to 5, with 1 being very poor, and 5 being excellent?
Base: Lodging establishments (N=2-240)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

The B&B Traveler – General Travel Behavior

B&B guests like to travel – a lot.

- **B&Bers are big travelers and represent big opportunity.** They travel more often, spend more on travel, and are more likely to book additional travel components than average leisure travelers.
- The typical **B&B traveler travels as a couple and spends more on lodging** each year than the average traveler.
- **B&B guests are diverse travelers and big into local culture and relaxation**, whereas non-B&Bers are much more into adventure.

Four in 5 B&B guests take three or more leisure trips per year.

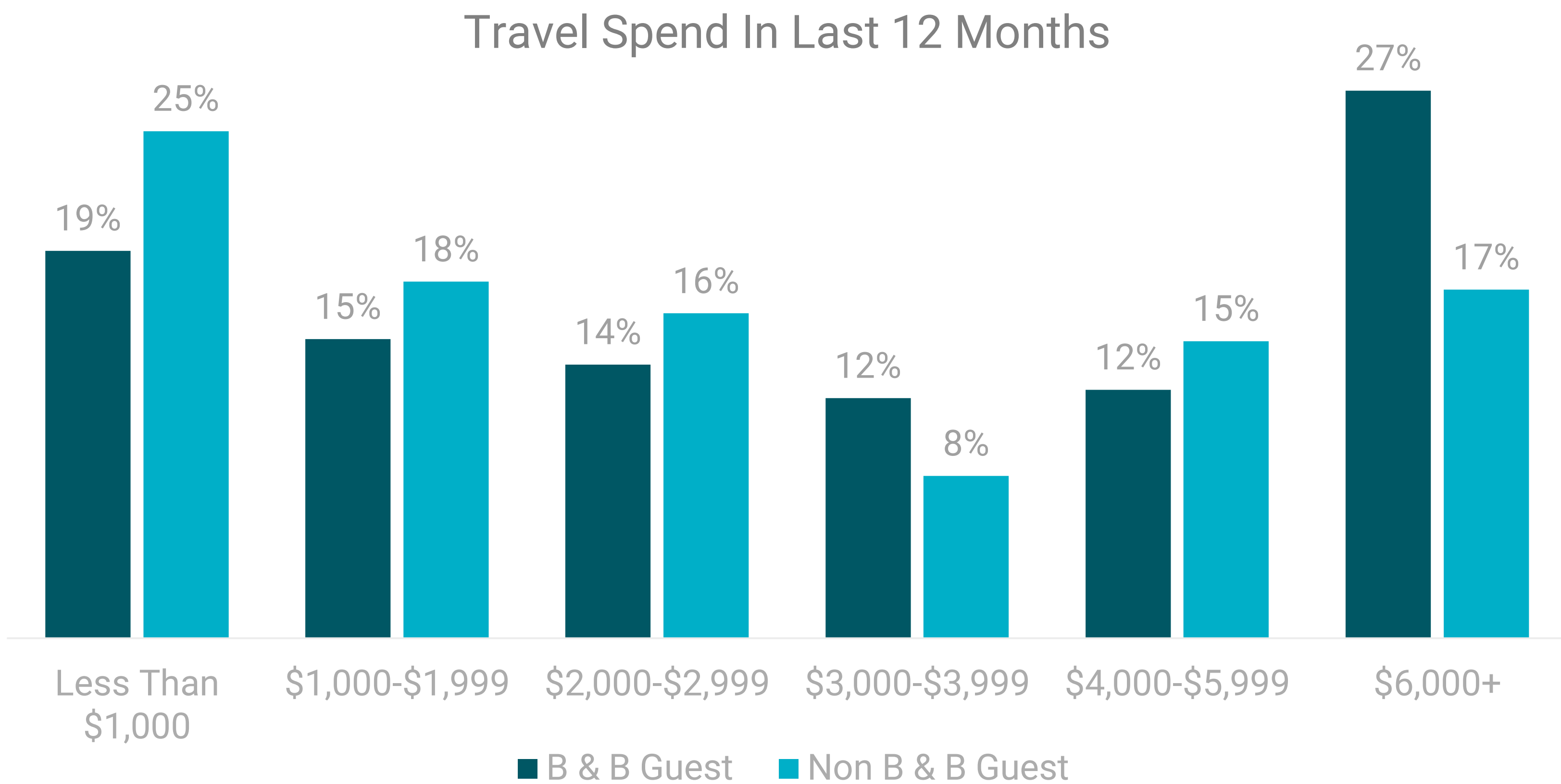


Question: A1 In the past 12 months, how many total leisure trips did you take that included overnight accommodation? Please exclude any leisure trips that were an extension of a business trip

Base: B&B Guests (N=478); Non B&B Guest (N=506)

Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

More than a quarter of B&B guests spend at least $6k per year on travel.

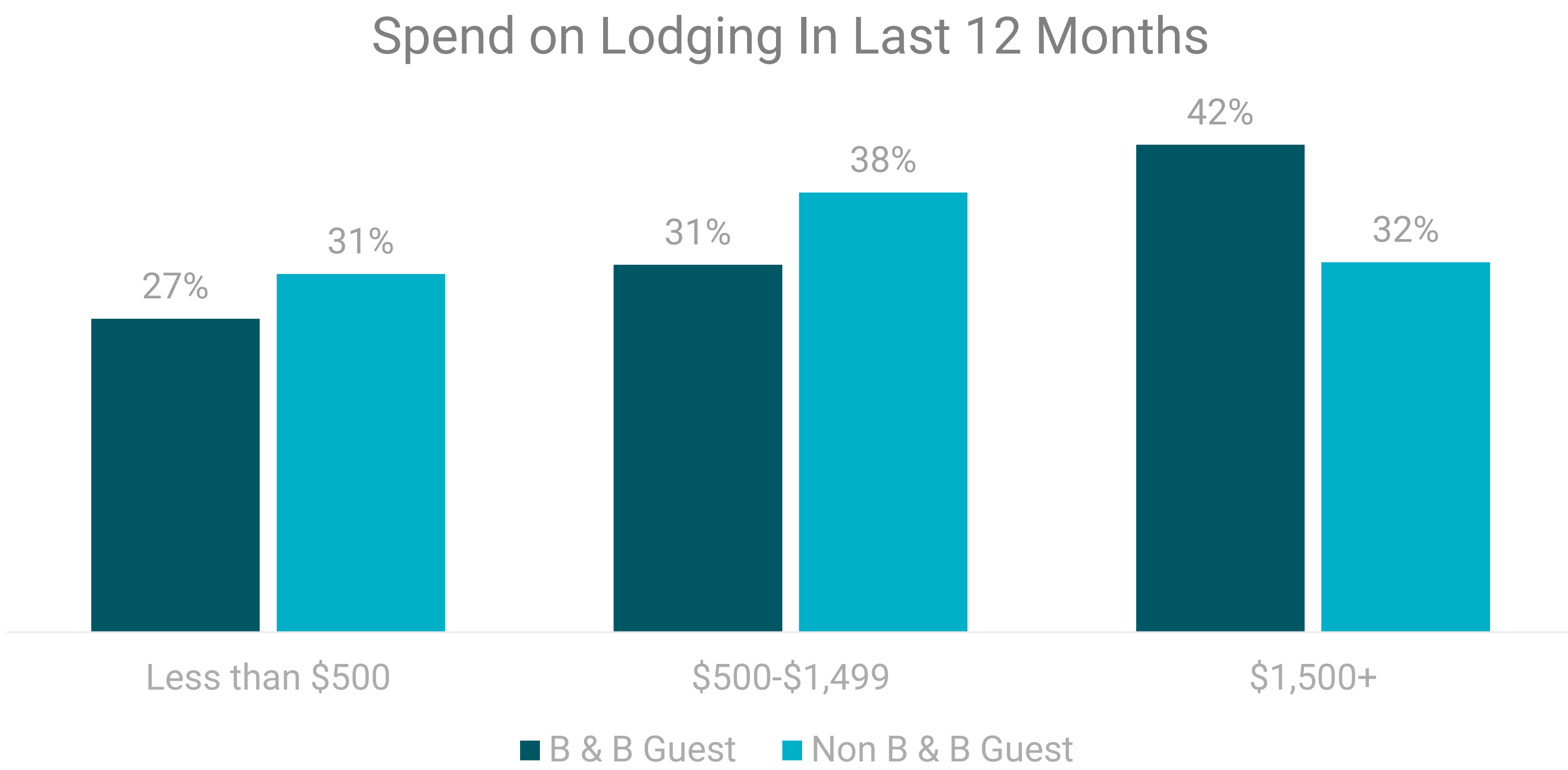


Question:A7 What was the total amount you spent on travel components (including airline tickets, accommodation, car rentals, cruises, railway tickets for travel over 75 miles) for your N leisure trips you took in the past 12 months? Enter a whole number

Base: B&B Guests (N=478); Non B&B Guest (N=506)

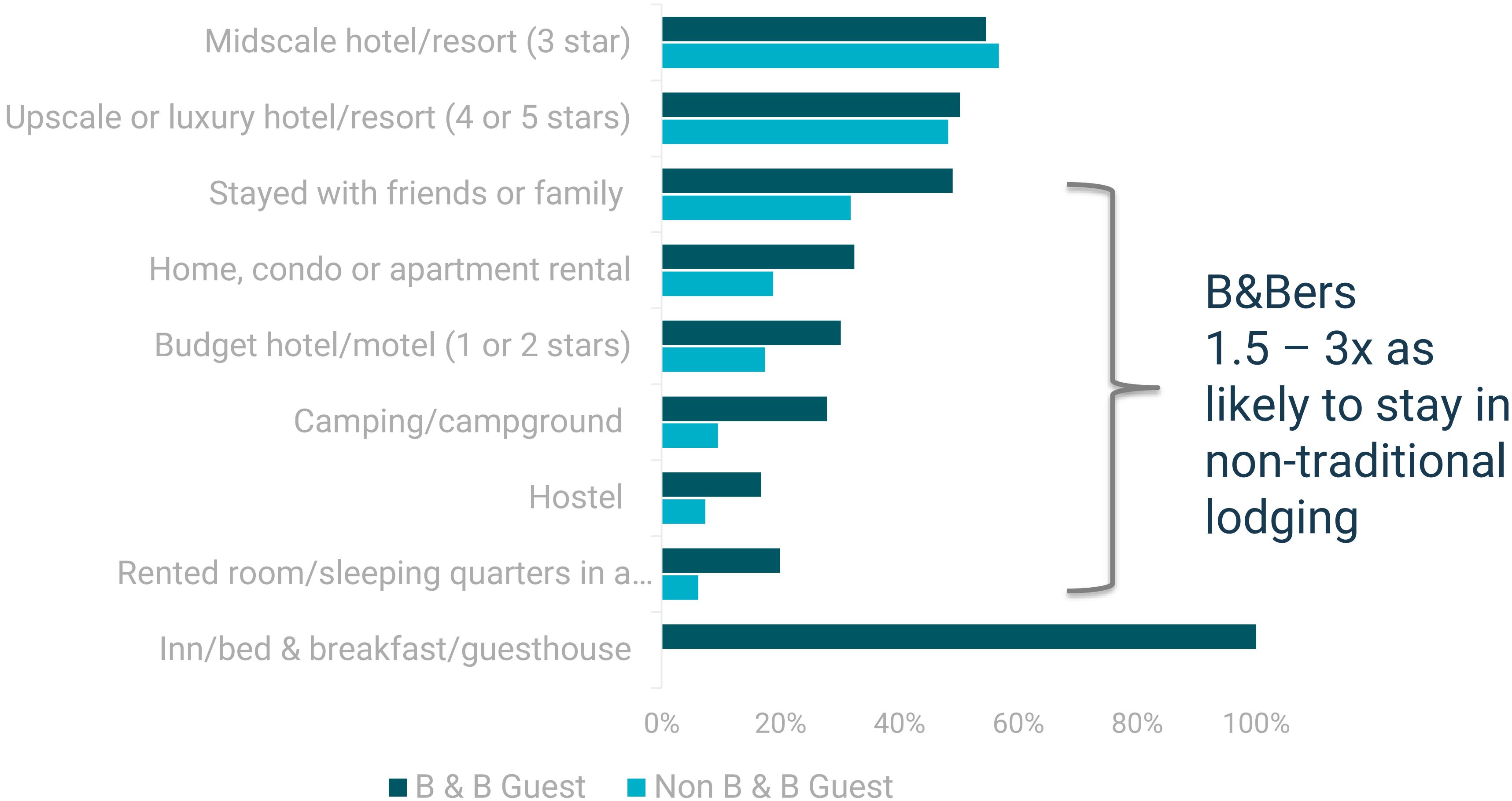
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

And they spend more on lodging.



Question:A8 How much of the total travel spend was spent on accommodation, such as hotels, inns/B&Bs, hostels, rental homes or other
Base: B&B Guests (N=478); Non B&B Guest (N=506)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Accommodations In Last 12 Months

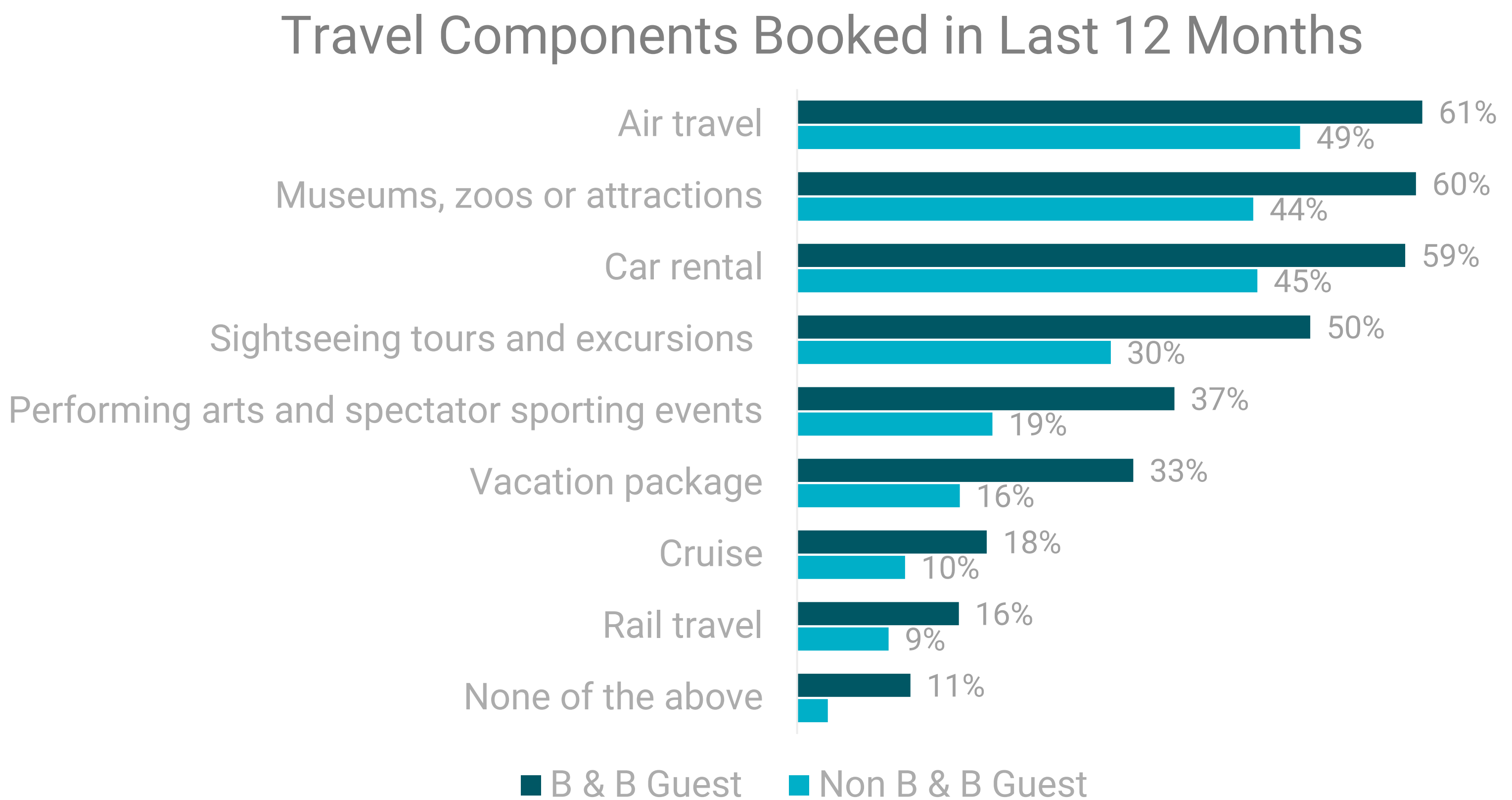


Question: SD What type(s) of accommodation have you used for these leisure trips? *Select all that apply*

Base: B&B Guests (N=478); Non B&B Guest (N=506)

Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

B&B guests far more likely to book other travel components than average travelers. Three in 5 booked air, ticketed attractions and car rentals in the past year.



Question: A6 Which of the following travel products and services – besides accommodation – did you purchase for your leisure trips taken in the past 12 months? Select all that apply.

Base: B&B Guests (N=478); Non B&B Guest (N=506)

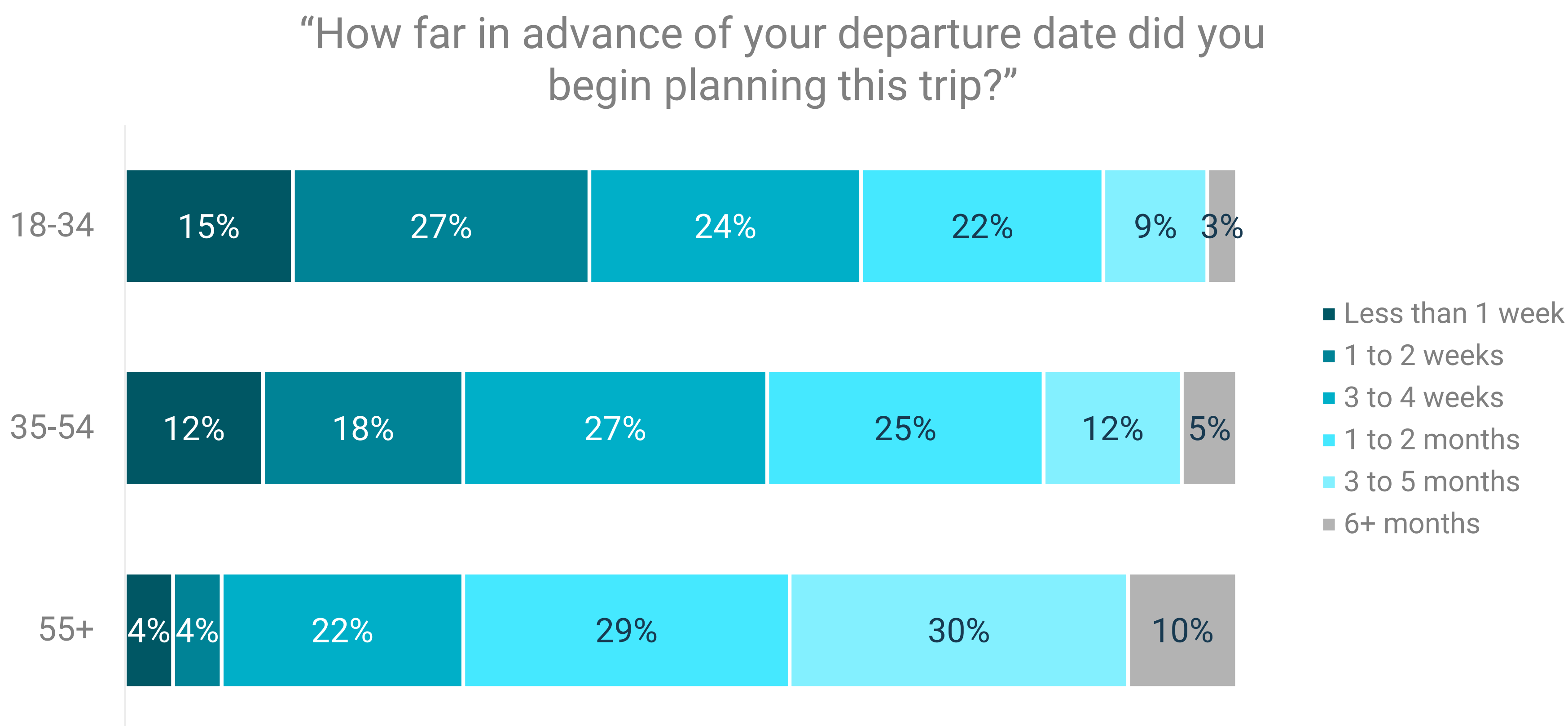
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Trip Planning – Last B&B Stay

Online bookings dominate, but prove to be a complex sector that requires personal support.

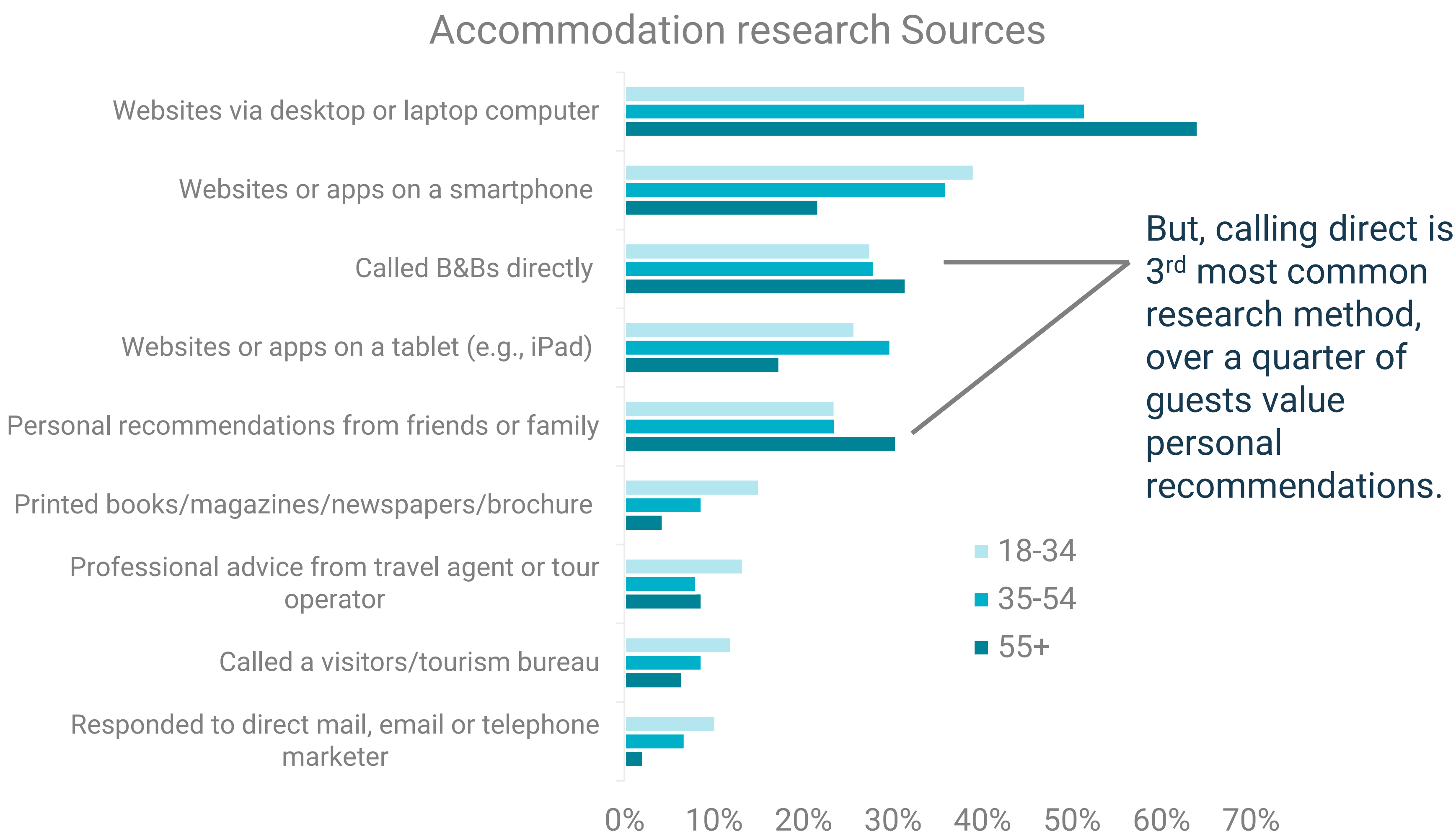
- Young B&Bers tend to travel on a whim. They're **5x as likely to begin planning a trip within two weeks of departure**, and over 25% booked their last B&B within one week of the stay.
- **B&B websites are neck and neck with Airbnb** for B&B discovery and bookings.
- **B&Bs provide offline value for online bookers**. Seven in 10 B&Bs are booked online, but **over half of online bookers speak with the B&B prior to booking**.

Young B&Bers over **5x as likely to begin planning within two weeks** of departure than travelers 55+.



Question: C1 How far in advance of your departure date did you begin planning this trip?.
Base: B&B Guests (N=478)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Desktops dominate for accommodation research.

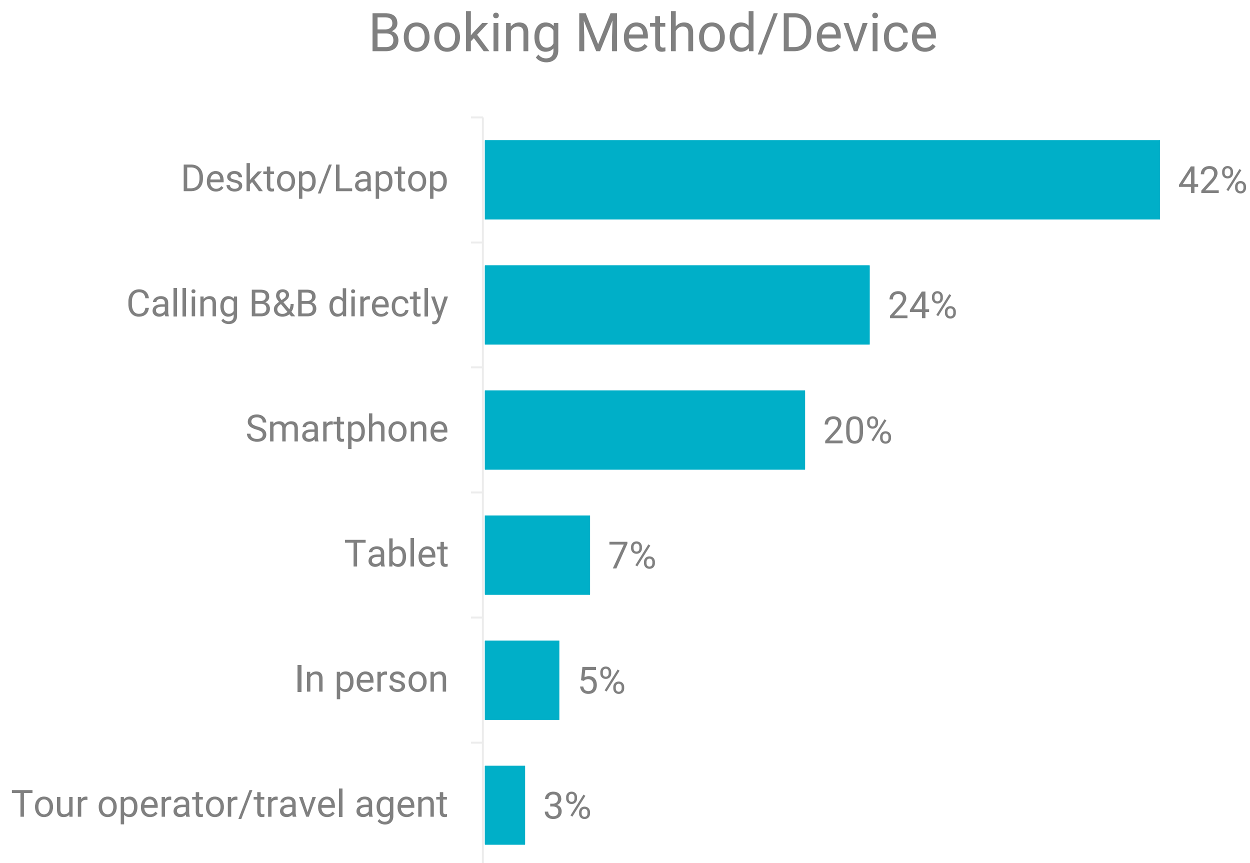


Question: C2 Which of the following sources did you use to research accommodations for this trip? *Select all that apply.*

Base: B&B Guests (N=478)

Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

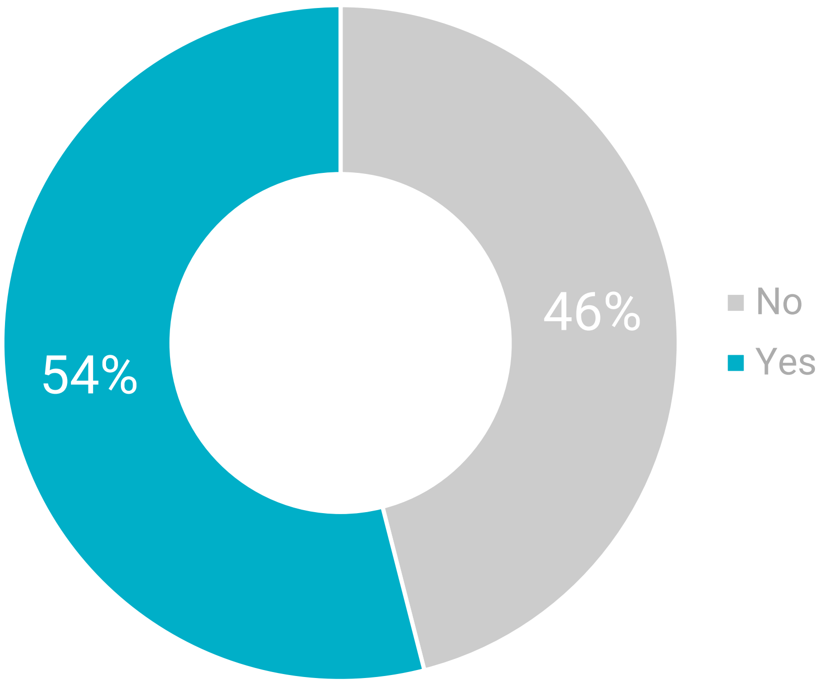
Seven in 10 B&B bookings are made online.



Question: C7 How did you book this B&B?
Base: B&B Guests (N=478)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Over half of online bookers spoke with the B&B prior to online booking.

But that doesn't necessarily mean they end up booking on the B&B's website.



Question: C7a Did you speak (via email, messages, phone call, etc.) with an innkeeper or a representative of the B&B prior to your online booking?

Base: B&B Online Booker (N=326)

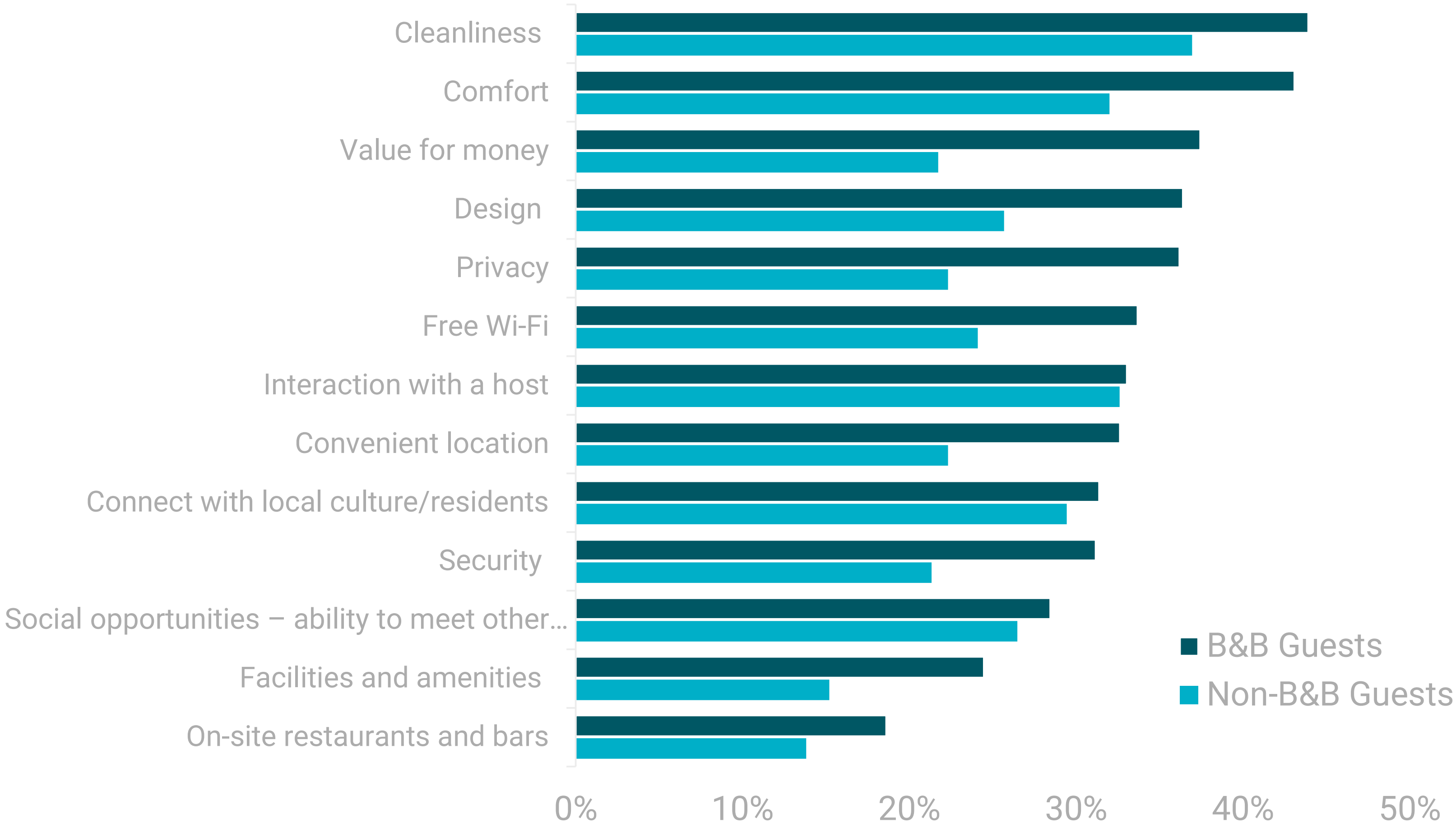
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

The B&B Decision

B&Bs have opportunity to reach non-B&B guests with the right marketing message.

- **B&Bers and non-B&Bers have opposite opinions**, specifically when it comes to value, privacy, local culture and social opportunities. Non-B&B guests tend to be skeptical about value and privacy, yet B&B guests give high remarks for these features.
- **Older B&B stayers choose B&Bs based on location and quality**, whereas younger B&Bers look more at price and environment.
- Younger travelers like to consider a myriad of accommodation options, but **travelers 55+ are much more likely to only consider B&Bs**.

Excellent Ratings Of B&Bs

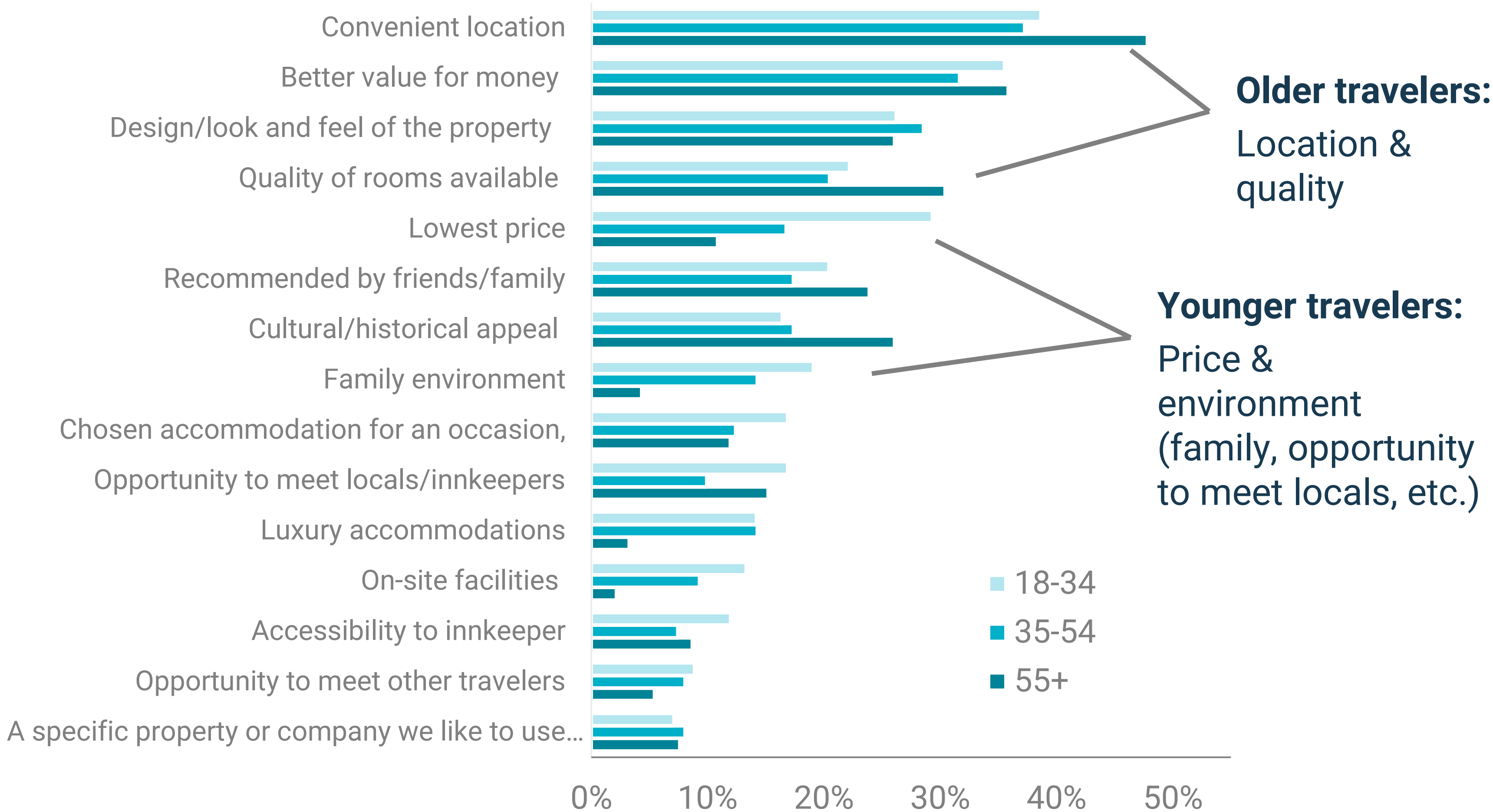


Question: A10 We would now like to learn what you think about B&Bs. How do you rate B&Bs across each of these criteria? If you are unsure or do not know, please select the N/A option to the right.

Base: B&B Guests (N=478); Non B&B Guest (N=506)

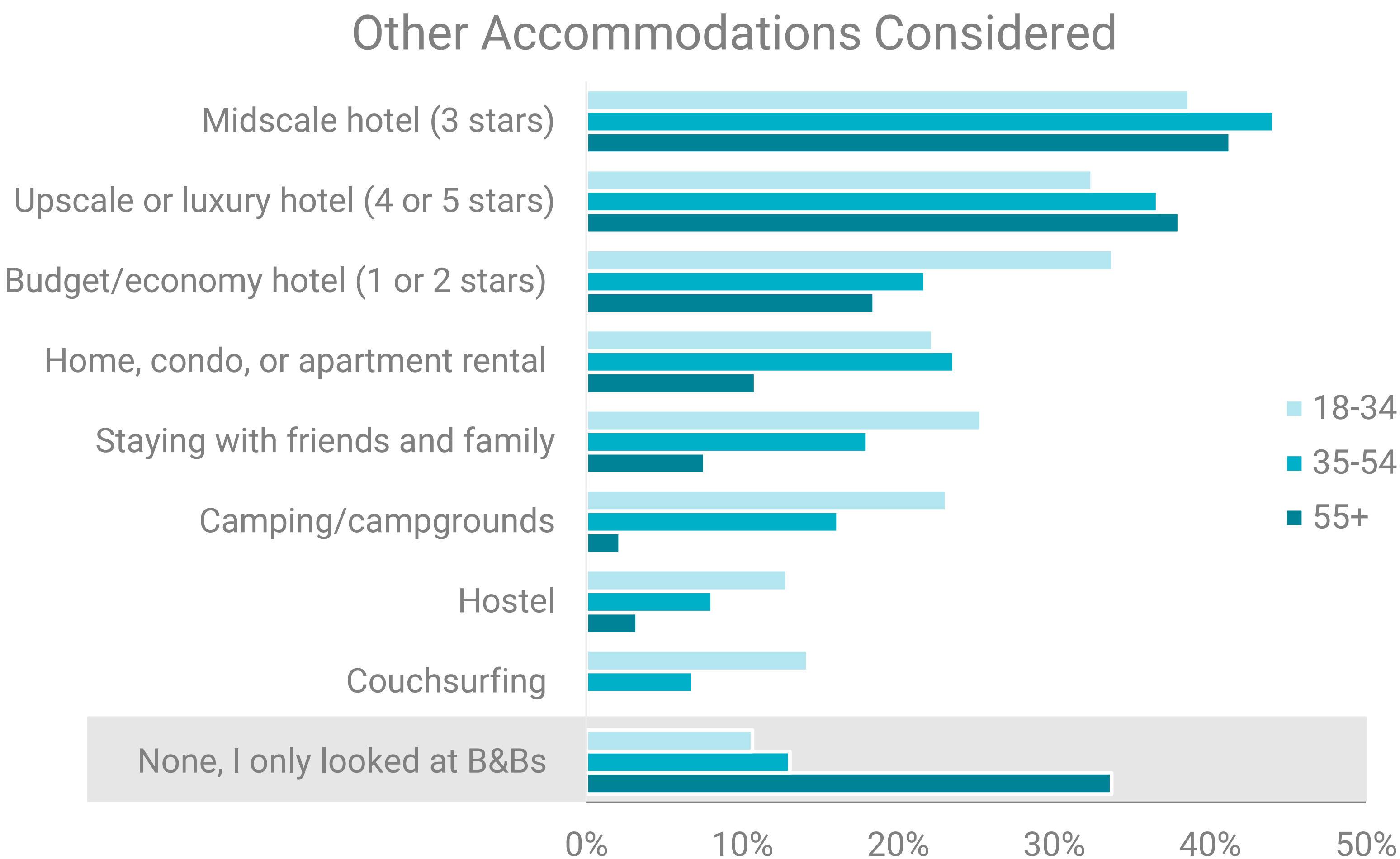
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Why a B&B was ultimately chosen over other accommodation options:



Question: B7 Why did you choose a B&B for this trip, rather than a hotel or other accommodation? *Select all that apply..*
Base: B&B Guests (N=478)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Young B&Bers consider all sorts of options, but a third of 55-year-olds *only* consider B&Bs.



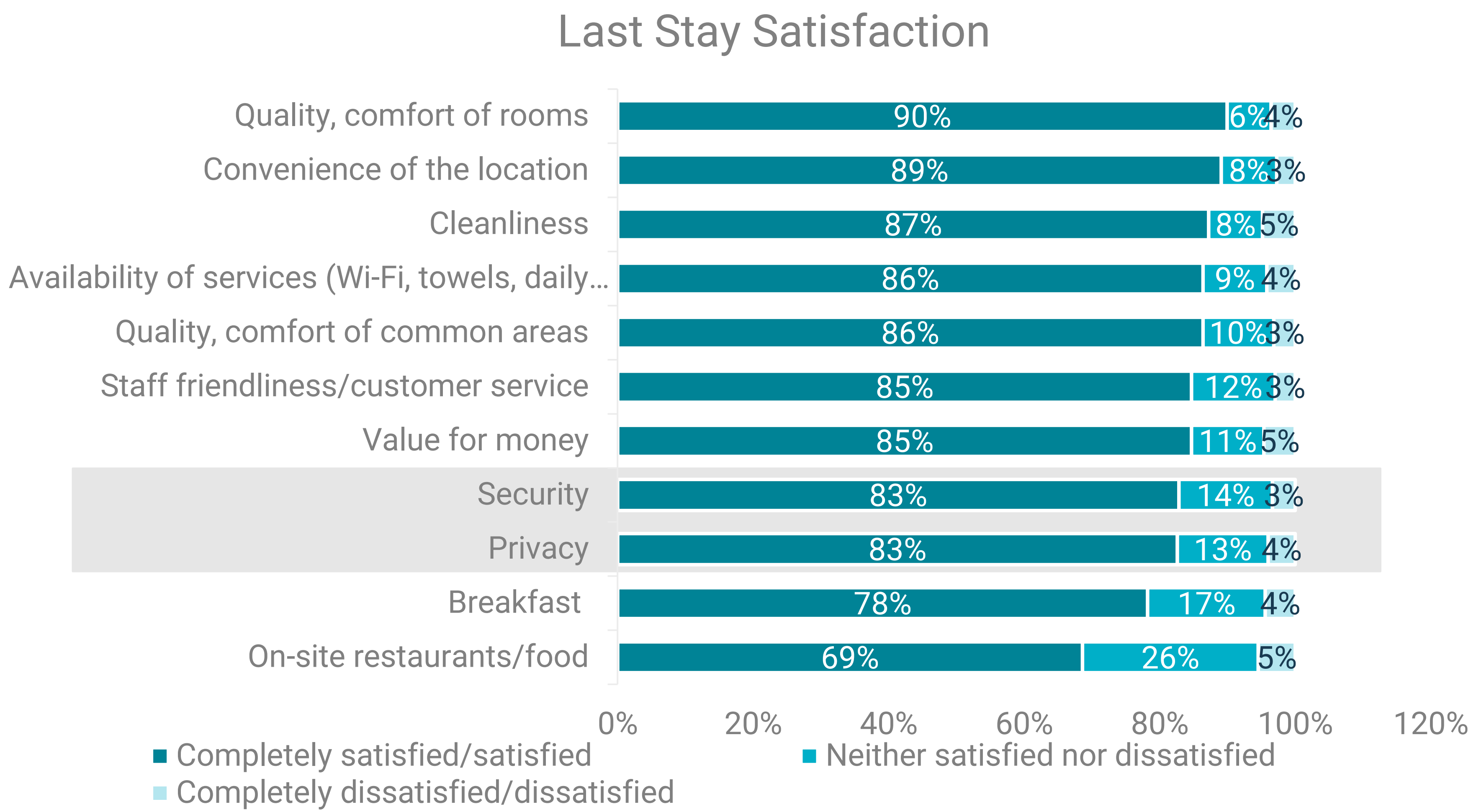
Question: B7 Why did you choose a B&B for this trip, rather than a hotel or other accommodation? *Select all that apply..*

Base: B&B Guests (N=478)

Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

B&B Offerings vs. Guest Satisfaction

Non-B&Bers may have concern over certain aspects of B&Bs, but B&Bers prove to be rather satisfied overall.



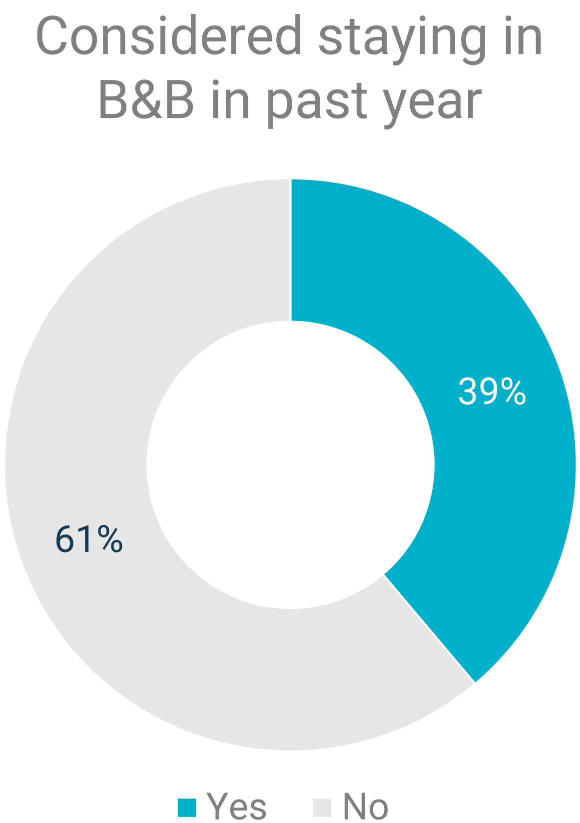
Question: D4 Please rate your satisfaction with each of the following aspects of your B&B stay.
Base: B&B Guests (N=478)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

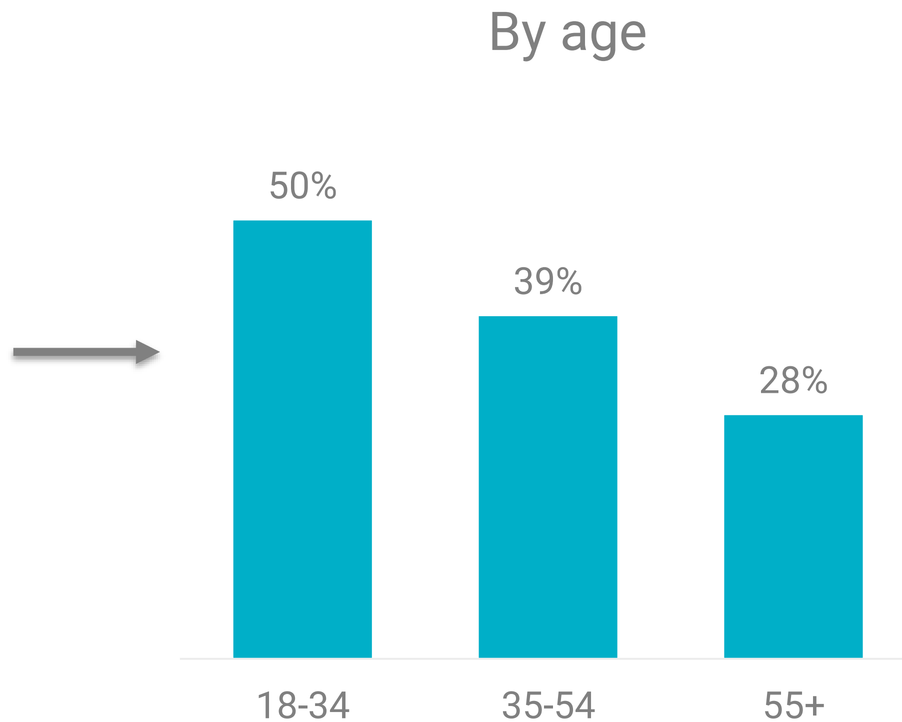
The Non-B&B Traveler

Better prices and marketing could help B&Bs attract travelers on the fence.

- **A quarter of non-B&Bers have never stayed in a B&B**. But, younger travelers are much more likely to consider staying in one.
- Some travelers have specific accommodation preferences and simply prefer hotel amenities. However, **one in four non-B&Bers are likely to consider a B&B for a future trip**.
- A third of non-B&Bers say that **knowing what B&B properties are like** would help them to choose a B&B in the future.

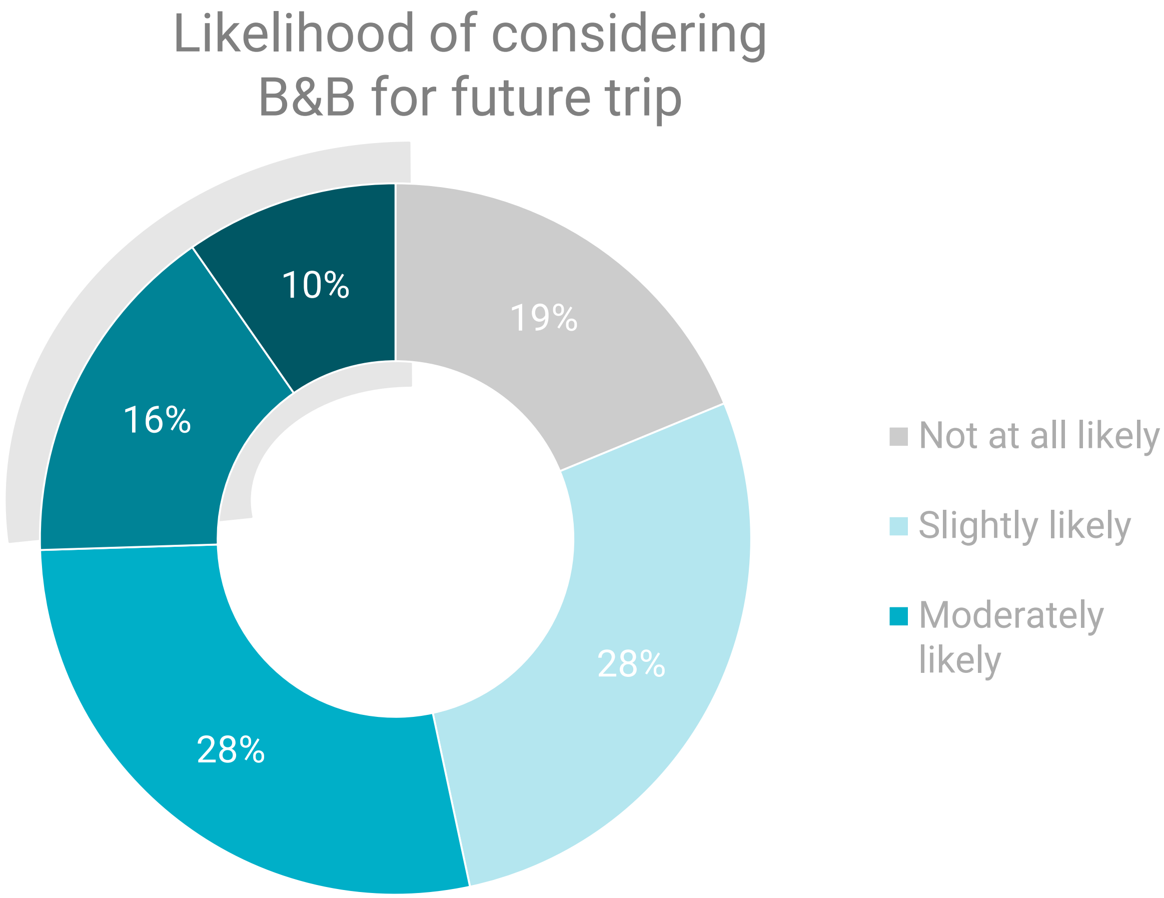
Younger travelers most likely to consider B&Bs.





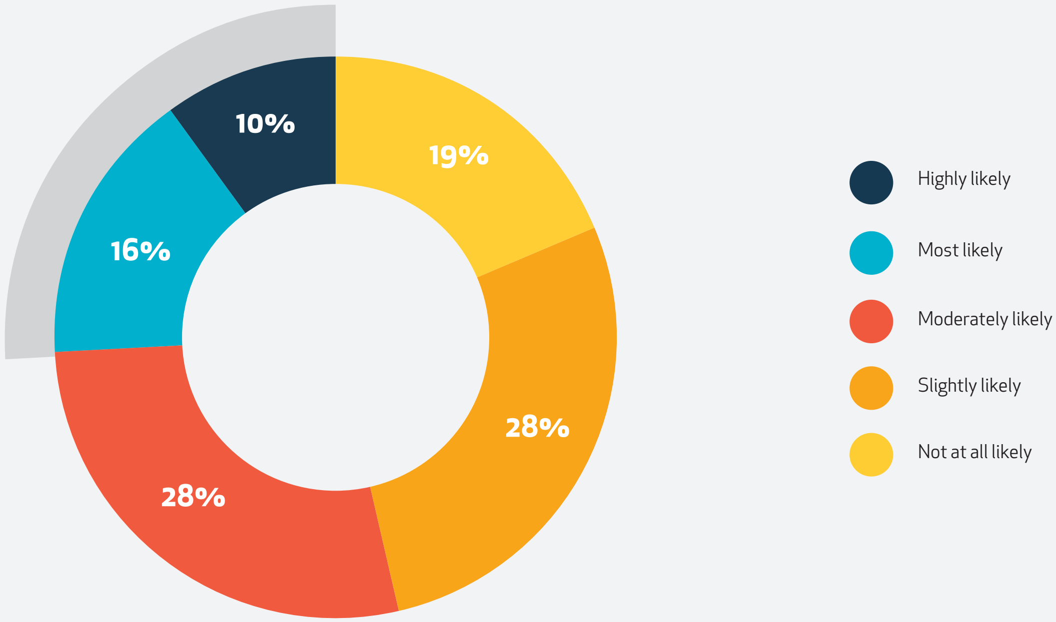
Question: E2 Did you consider staying in a B&B for any of your leisure travel over the past year?
Base: Non B&B Guest (N=506)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

A quarter of non-B&Bers could be easily swayed in the future.



Question: E4 How likely are you to consider staying in a B&B for a future leisure trip?
Base: Non B&B Guest (N=506)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Figure 35:
Likelihood of Considering B&B for a Future Trip



Question: How likely are you to consider staying in a B&B for a future leisure trip?
Base: Non B&B Guest (N=506)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 36:
Factors That Would Influence Non-B&Bers to Book in the Future, by Likelihood to Book

Question: Which of the following would make you most likely to book a B&B for a future trip? Please choose the three most important things. How likely are you to consider staying in a B&B for a future leisure trip?
Base: Non B&B Guest (N=506)
Source: Phocuswright's Bed and Breakfast.Study

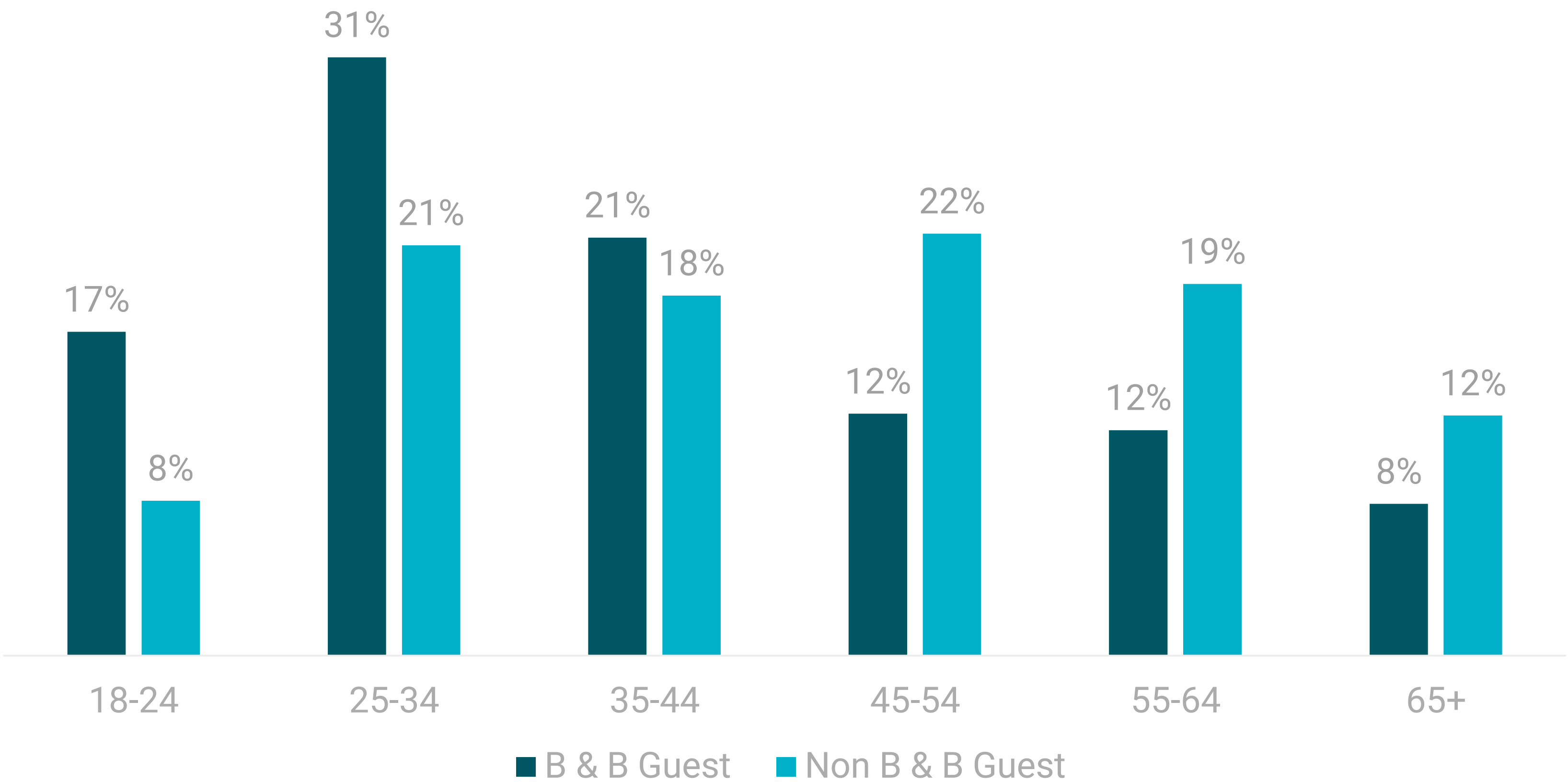
they once did, and non-traditional lodging options like B&Bs, private accommodations, and hostels increasingly take prominence during the shopping phase. The long-established B&B sector may face greater competition than years past, but today's digital world allows for even greater presence and consumer awareness than ever before. It's up to operators to use updated technology and resources to their best advantage.

With high online penetration and OTAs taking over more channel share, B&Bs have potential to reach an extended customer base outside of the typical 35-54-year-old B&B traveler. Millennials are big users of online sources and OTAs, and there's a unique fit of the B&B product with older millennials as they age and transition into couple/family travel. B&Bs are very well positioned to capitalize on millennials' ambitions for unique travel experiences and win customers over from rival accommodations like Airbnbs and new millennial-focused hotels.

Though occupancy remains low for B&Bs compared to other lodging segments, that's not to say guests aren't happy with their experiences. Plenty of B&B guests can attest to pleasant stays and the right marketing message in the right place can help entice travelers on the fence of where to stay for their next trip. B&B travelers are extremely valuable customers who travel often with big travel budgets, and attracting new guests to B&B properties not only benefits the bottom line for independent operators but continues the success of one of the most traditional yet charming segments of the U.S. lodging industry.

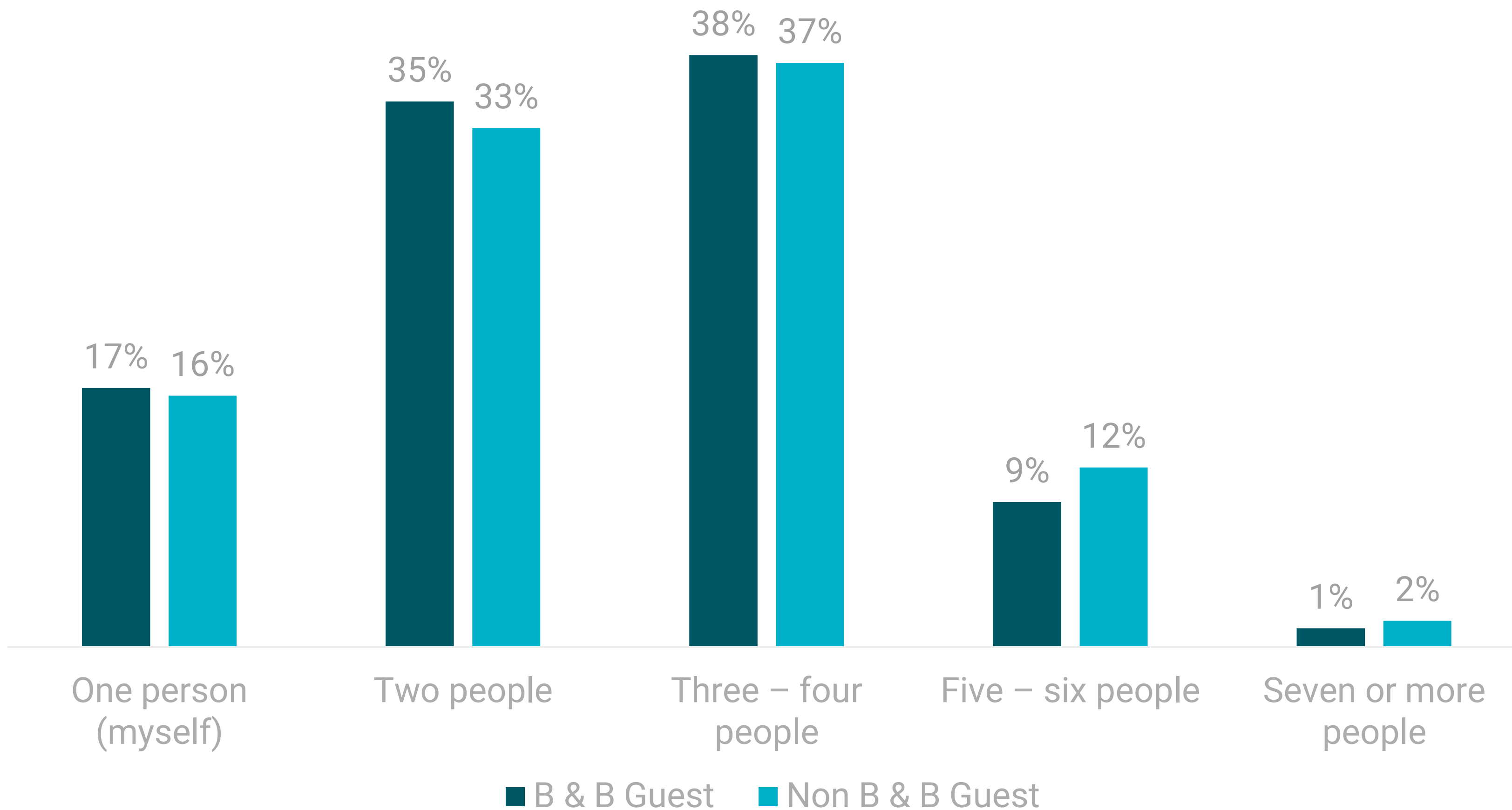
Consumer Demographics

Age



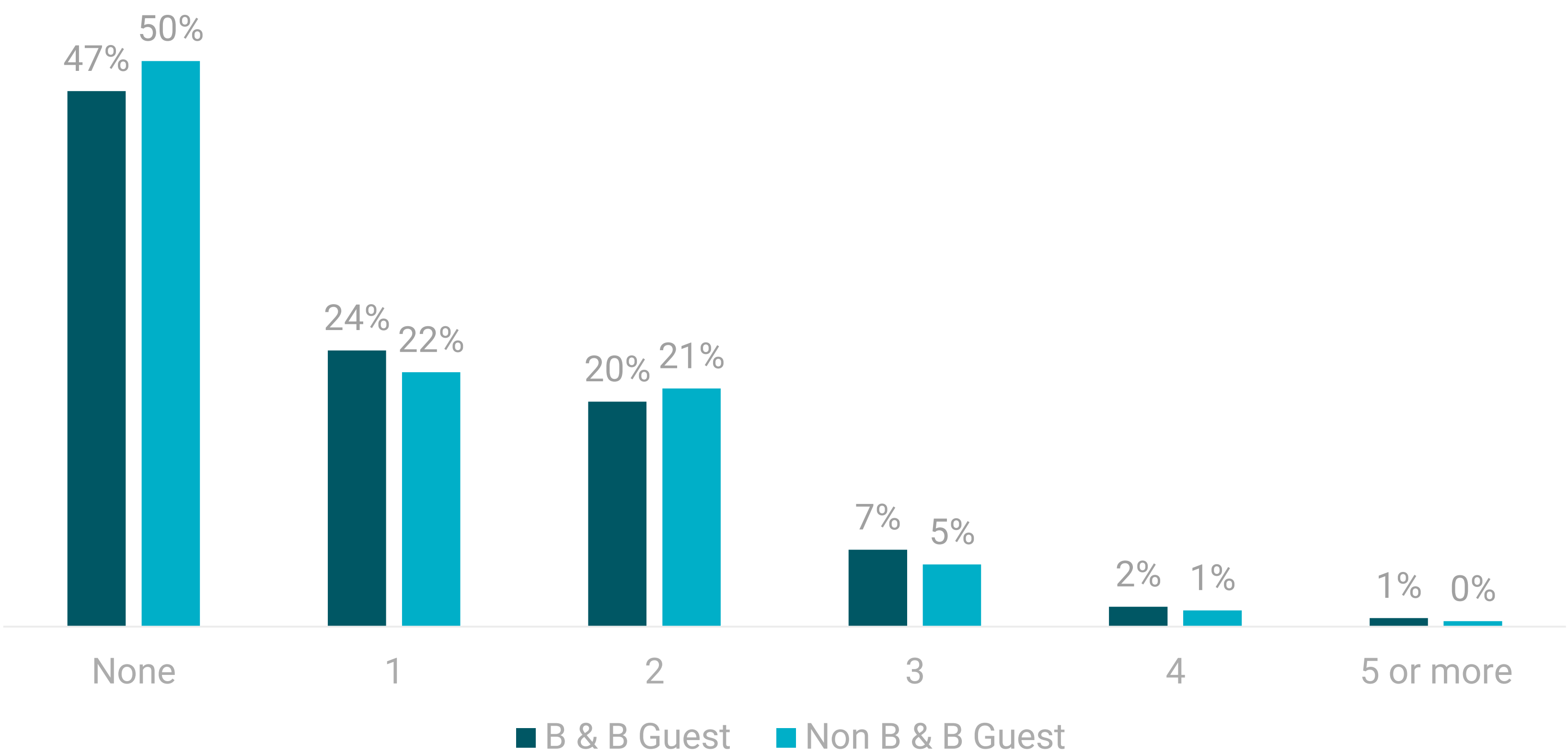
Question: SA Please select your age group
Base: B&B Guests (N=478); Non B&B Guest (N=506)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Size of Household



Question: F2 How large is your household?
Base: B&B Guests (N=478); Non B&B Guest (N=506)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*

Children In Household



Question: F1 What is your approximate total annual household income?
Base: Travelers with 2 or more people in a household: B&B Guests (N=401); Non B&B Guest (N=422)
Source: Phocuswright's *B&Bs Unbound – The State of B&Bs in the U.S.*