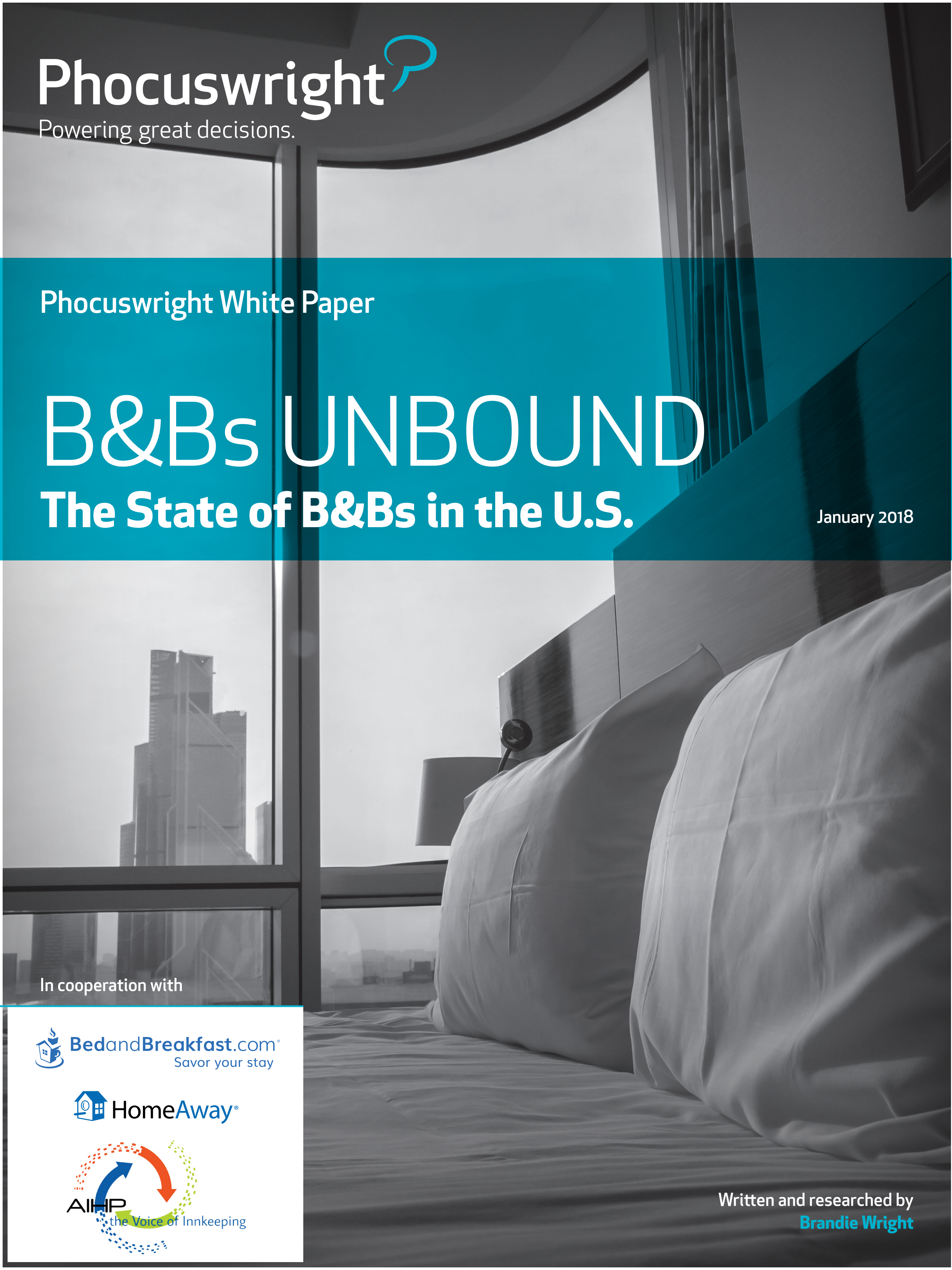

Phocuswright

Powering great decisions.

Phocuswright White Paper

B&Bs UNBOUND

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

January 2018

In cooperation with

BedandBreakfast.com
Savor your stay

HomeAway

AIHP the Voice of Innkeeping

Written and researched by
Brandie Wright

An introduction from BedandBreakfast.com

BedandBreakfast.com is the world's largest B&B travel site. With more than 30,000 properties worldwide, we help travelers discover and book unique small hotels, inns and B&Bs. BedandBreakfast.com connects travelers seeking intimate, one-of-a-kind and locally owned accommodations with innkeepers and B&B owners around the world.

Based in Austin, Texas, BedandBreakfast.com was founded in 1995 and is owned by Expedia, Inc.

Find the perfect B&B for your next getaway at BedandBreakfast.com.

BedandBreakfast.com
Savor your stay

About Phocuswright

Phocuswright is the travel industry research authority on how travelers, suppliers and intermediaries connect. Independent, rigorous and unbiased, Phocuswright fosters smart strategic planning, tactical decision-making and organizational effectiveness.

Phocuswright delivers qualitative and quantitative research on the evolving dynamics that influence travel, tourism and hospitality distribution. Our marketplace intelligence is the industry standard for segmentation, sizing, forecasting, trends, analysis and consumer travel planning behavior. Every day around the world, senior executives, marketers, strategists and research professionals from all segments of the industry value chain use Phocuswright research for competitive advantage.

To complement its primary research in North and Latin America, Europe and Asia, Phocuswright produces several high-profile conferences in the United States, Europe and India, and partners with conferences in China and Singapore. Industry leaders and company analysts bring this intelligence to life by debating issues, sharing ideas and defining the ever-evolving reality of travel commerce.

The company is headquartered in the United States with Asia Pacific operations based in India and local analysts on five continents.

Phocuswright is a wholly owned subsidiary of Northstar Travel Media, LLC.

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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.

Objectives and Methods

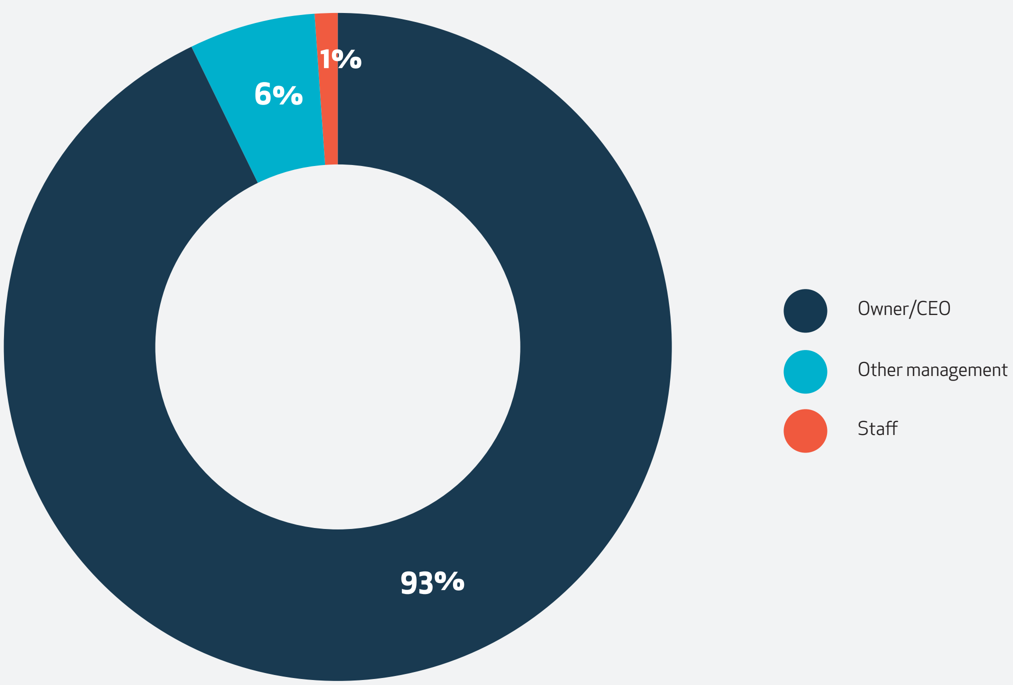
Study Objectives

The bed and breakfast (B&B) segment of the hospitality industry has long been overlooked and overshadowed by the broader hotel industry, and has long lacked definitive market research to size the sector and map the landscape. So Phocuswright undertook a major research project with the support of BedandBreakfast.com to study the U.S. B&B market through a four-pronged approach: B&B operator survey, consumer survey of B&B guests and non-guests, market sizing and industry interviews. The primary study objectives are to define and size the category, establish key performance metrics, evaluate the digital readiness of the sector, assess the importance of B&Bs to various traveler segments, and identify opportunities for growth.

Methods: B&B Operator Survey

Phocuswright fielded an online survey to North American B&B operators through BedandBreakfast.com and the Association of Independent Hospitality Professionals and received 503 qualified respondents. Ninety-three percent of respondents were owners, C-level, or other general managers and 96% best describe their establishment as a B&B or inn. Respondents were evenly distributed throughout the U.S.

Figure 1:
Operator Survey Respondents



Question: Which of the following best describes your title or role at your establishment?
Base: Lodging establishments (N=503)
Source: Phocuswright's The Global Hostel Marketplace Second Edition

Methods: B&B Consumer Survey

Phocuswright fielded an online survey August 18-27, 2017, through SSI, targeting the U.S. adult population who has Internet access and travels for leisure. Qualified respondents were U.S. adults who have traveled in the past year and stayed in paid overnight accommodations at least 75 miles from home. Respondents also must have played an active role in their trip planning. Phocuswright received 984 qualified respondents – 478 B&B guests and 506 non-B&B guests. Phocuswright sources qualified consumer respondents through SSI, an independent consumer panel company.

Methods: Interviews and Market Sizing

Phocuswright conducted in-depth interviews among innkeepers, industry associations and distribution companies to acquire qualitative insights into key industry trends.

Additionally, Phocuswright developed market sizing by building projections based on the U.S operator survey along with supply estimates sourced from analysis of the online inventory of TripAdvisor. Gross revenues, distribution channel share and growth forecasts are projections to the total estimated supply from weighted operator survey results. Projections are provided for 2016-2020.

The B&B Landscape

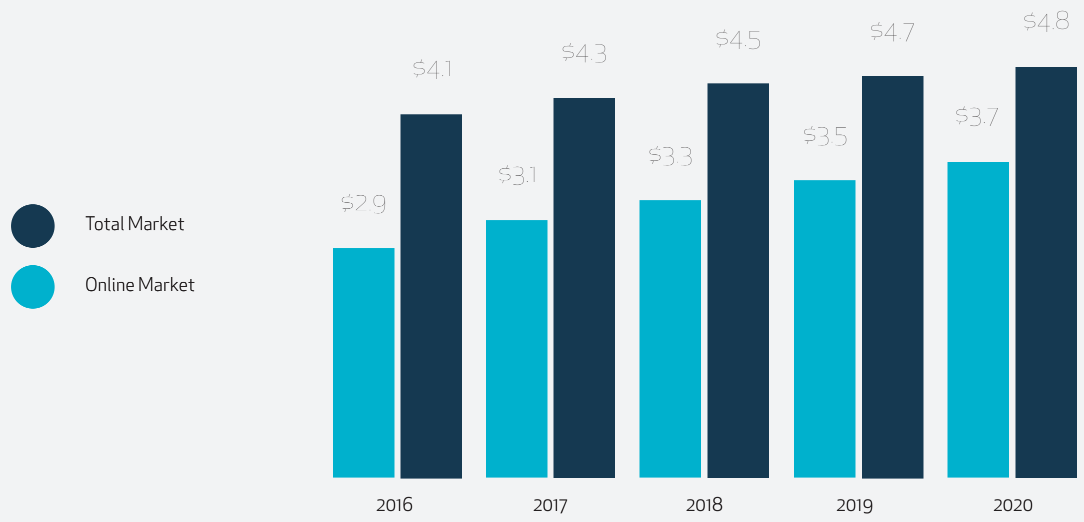
Market Size, Forecast & Structure

The B&B marketplace may be a rather small subset of the overall U.S. lodging sector, but the American B&B industry is very well alive and flourishing. With 19K properties across the 50 states, the B&B market shows a positive outlook for the coming years.

Despite an influx of new accommodation options like private accommodations, the U.S. B&B market continues to perform well. The market reached $4.1 billion in 2016 and is on track to grow an average 4% over the next four years, adding $700 million in value. The online B&B market is projected to grow at an even faster pace with an average annual growth rate of 6%. By 2020, the online B&B gross bookings will reach $3.7 billion, or over three-quarters of the total market.

From historic buildings and romantic lodges to ski retreats in the mountains and party destinations in the South, B&Bs span throughout the U.S. and have a wide array of property offerings. Nearly a third of B&Bs are located in the South, and combined with properties in the Northeast, the New England territory and Southern region comprise nearly two-thirds of the U.S. B&B market. Regardless of location, the market is made up of a significant long tail of B&Bs: the overwhelming majority of properties are small operations. Two in five operations earn less than $100K in annual revenue and almost two-thirds earn $200K or less. The average B&B has eight rooms, though many have less, and employs fewer than five employees.

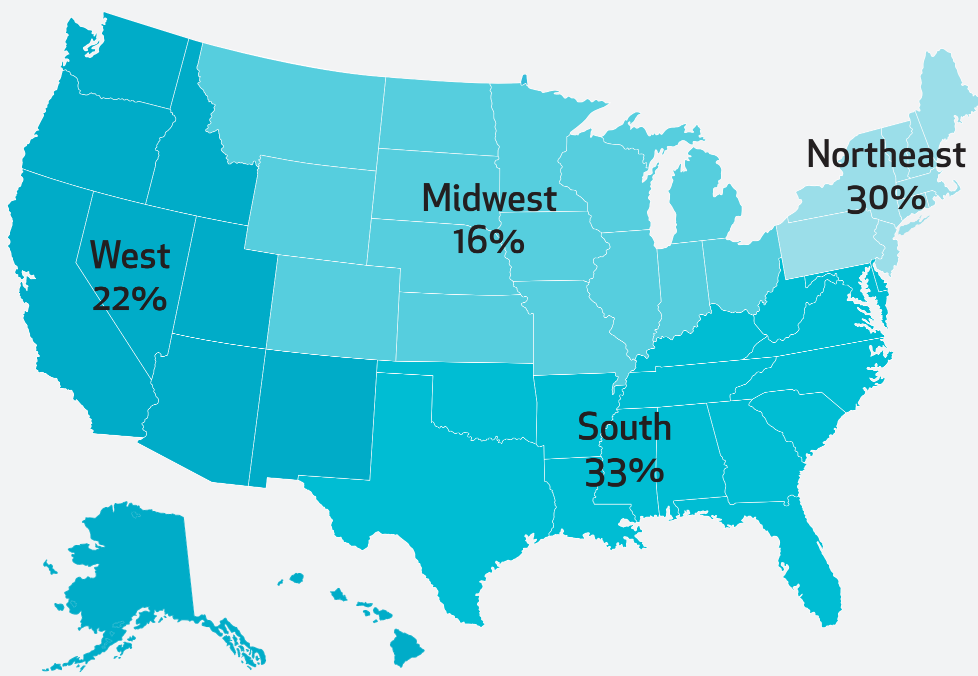
Figure 2:
U.S. B&B Total and Online Market (US$B), 2016-2020



Online Penetration	71%	72%	73%	75%	76%

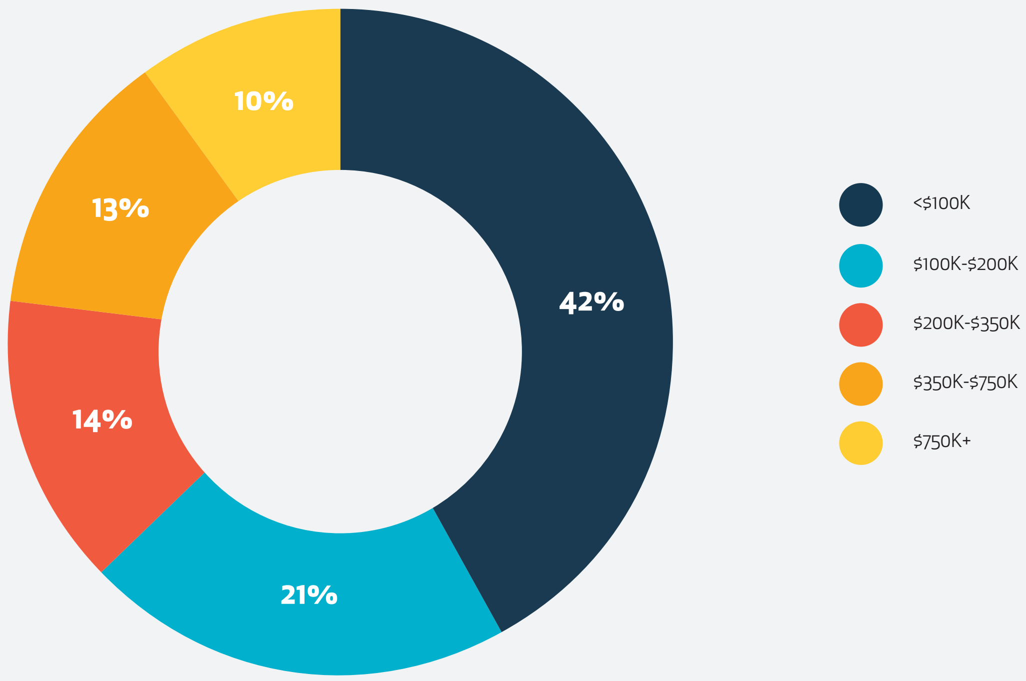
Note: 2017-2020 projected.
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

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.

Figure 4:
B&B Total Revenue, 2016



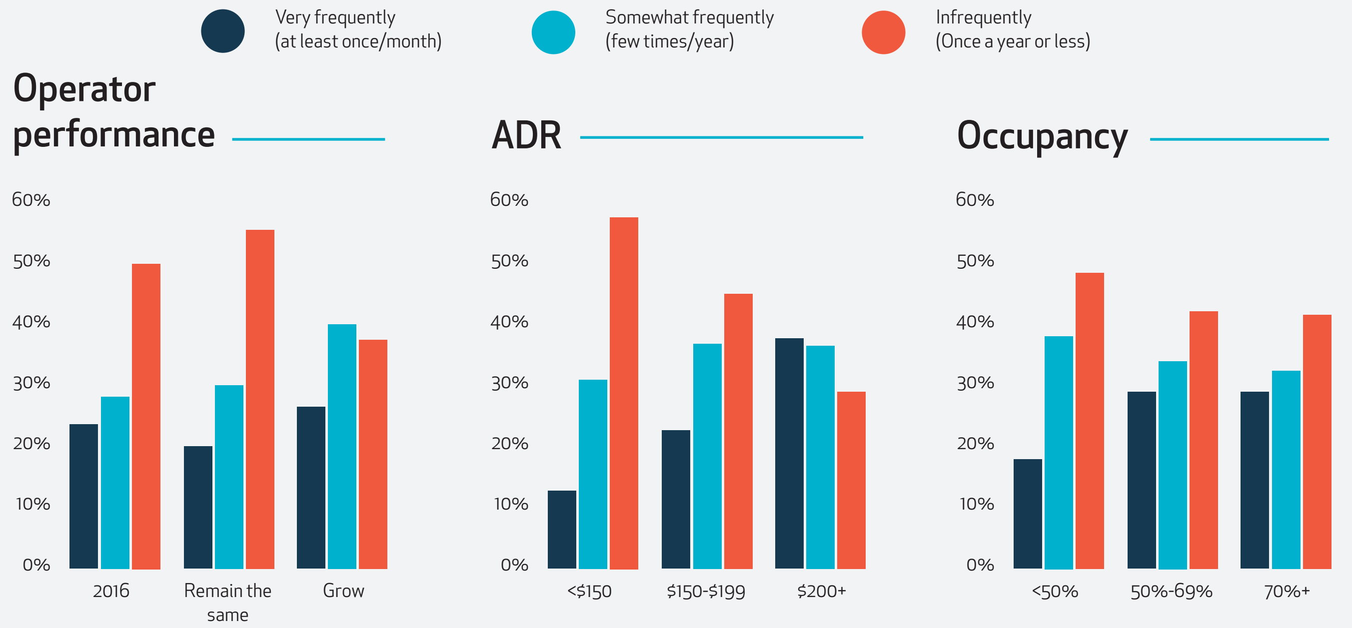
Question: Please select the relevant band for your B&B's total revenue in U.S. dollars ($) for 2016. Include all revenue derived from your B&B's accommodation and related on-property services for travelers, including food and beverage, and fees for additional traveler services, such as Wi-Fi, lockers, tours, etc.
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

How B&Bs Gauge Performance

Occupancy and ADR are key indicators for the health of a lodging segment. B&Bs – generally independent, family run properties – use different benchmarks than the overall lodging industry. For example, B&Bs experience much lower occupancy rates yet benefit from higher ADRs than hotels. Average B&B occupancy for 2017 is 50%, peaking in the summer and dropping in the winter months. This is about 15 points lower than occupancy for the U.S. hotels industry, which has remained a steady 65% for the past three years. However, occupancy is on the rise for properties of all sizes and in all corners of the country, and half of B&Bs anticipate overall occupancy to increase for the rest of 2017.

Although B&Bs may be small properties, they provide a boutique value that travelers are willing to pay for. The average daily rate in 2017 was $173 (compared to $127 for hotels), but varies by region and property size. Rates are highest in the Northeast ($197) and gradually increase with properties that earn more in annual revenue, up to $238 for properties earning over $500K. Overall, business is healthy and keeps growing, especially for small operators. Exactly half of B&Bs experienced business growth from 2016 to 2017. Properties earning <$100K in annual revenue report the highest year-over-year change in rates (23%) compared to just 10% for properties earning $500K or more.

Figure 5:
Key Performance Metrics by Frequency of Revising Rates



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

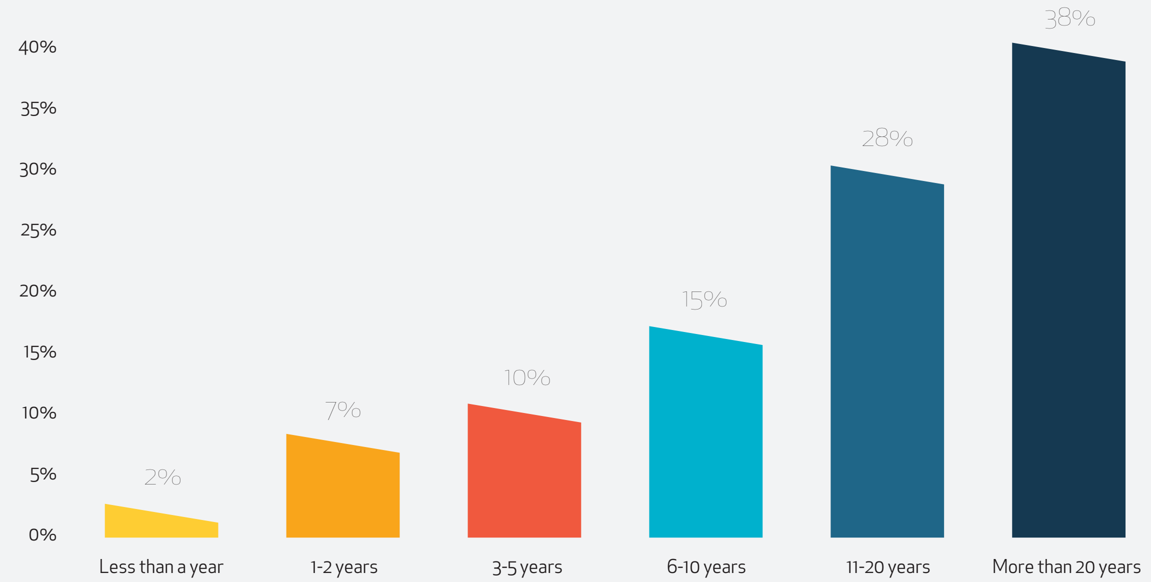
The frequency of which B&Bs revise rates differs significantly than many other accommodation segments, especially hotels. Hotels are no strangers to revising rates very frequently, even daily, to match constant demand fluctuations. B&Bs are quite the opposite – 77% change rates just a few times per year or less, despite even seasonal changes in occupancy. However, revising rates more often proves to pay off for those who do. Operators who revise rates frequently (at least once per month) report stronger business performance, higher ADRs and higher occupancy rates.

The Role of B&Bs

While often overlooked, the B&B segment has many unique characteristics that deserve special attention. New lodging options – from private accommodations to millennial-focused hotels – spring up left and right to conform to the ever-changing preferences of travelers. However, most B&Bs are long-established properties that pride themselves on traditional charm, consistency and personalized service. Two-thirds of B&B properties have been in business for over 10 years – over half of which have been operating for 20 years or longer.

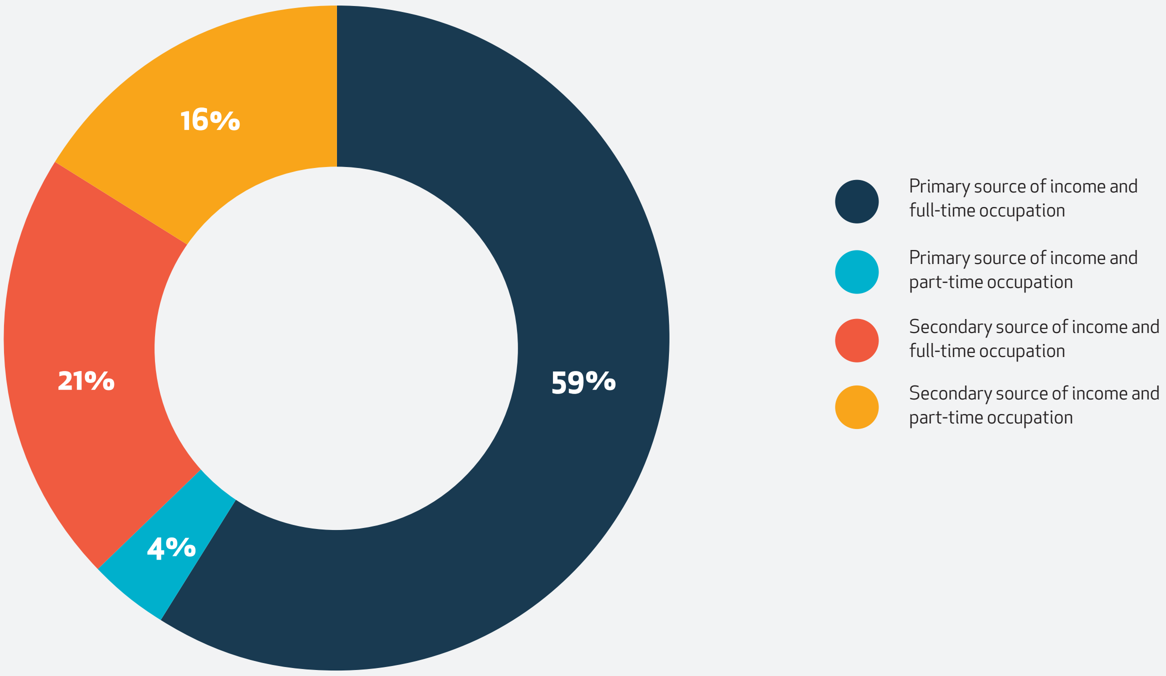
Not only are B&Bs established operations within the lodging sector, they're deeply rooted in innkeepers' lives as well. The overwhelming majority of B&Bs are small mom and pop operations employing fewer than five employees. From guest services and marketing strategies to housekeeping, cooking and other back of house operations, managing daily operations of a B&B is a full-time occupation for most innkeepers, and provides the primary source of income for nearly two-thirds of operators. Additionally, half of B&Bs are run by just one or two employees, many of which have been passed down through generations and are family-run entities.

Figure 6:
Number of Years in Business



Question: How long has your B&B been in business?
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 7:
Role of B&Bs to Innkeepers



Question: Please select the relevant band for your B&B's total revenue in U.S. dollars ($) for 2016. Include all revenue derived from your B&B's accommodation and related on-property services for travelers, including food and beverage, and fees for additional traveler services, such as Wi-Fi, lockers, tours, etc.
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

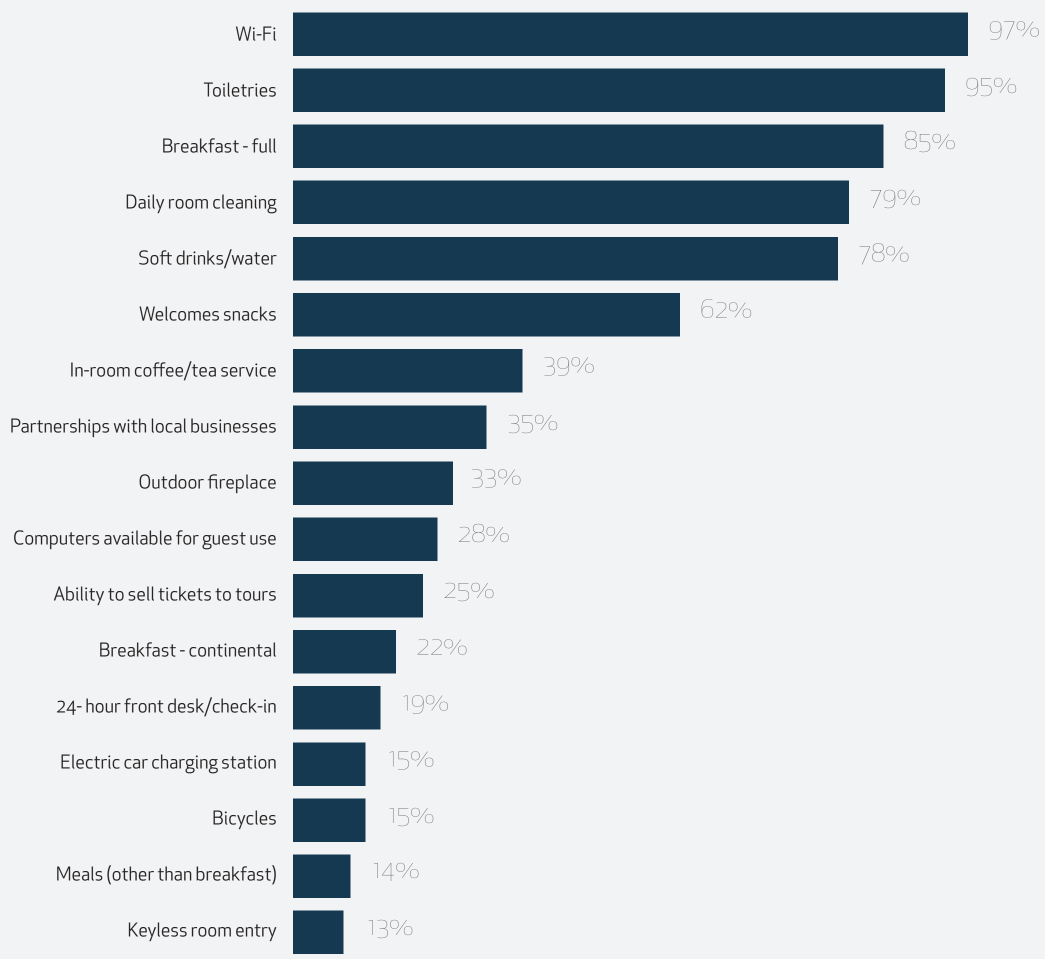
B&B Value Proposition

Guest Service & Amenities

From traditional hotels to non-traditional lodging like private accommodations, hostels and B&Bs, today's traveler has more lodging options than ever before. Many travelers don't necessarily have a specific accommodation in mind when they begin the search process. Rather, they simply look for a place to stay that fits the bill – a property to lay their head in, and a convenient location for the right price. With endless options to choose from, the visibility of B&Bs is more important than ever before. Services and amenities are key to attracting travelers that could end up elsewhere.

When travelers book a B&B, they are guaranteed just that – a bed and breakfast – and more. While the overwhelming majority of properties (85%) offer full breakfast to guests, the remaining few still only offer a lighter continental breakfast option. Even historical properties in remote locations recognize the needs of today's digitally

Figure 8:
Amenities Offered to Guests



Question: 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.

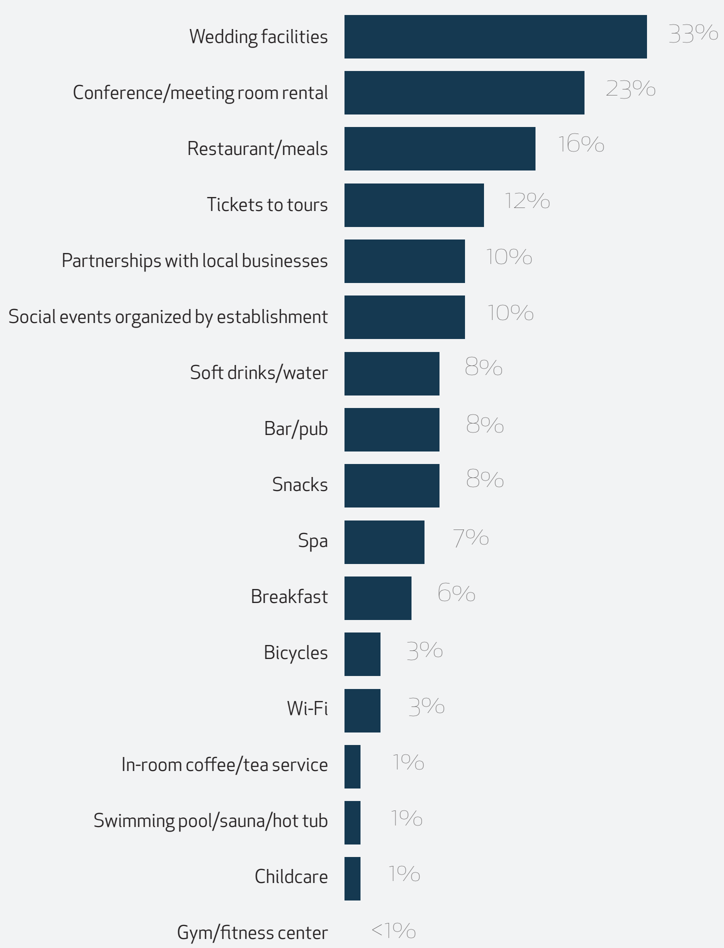
connected traveler. Nearly all (97%) properties offer Wi-Fi – the most commonly offered amenity other than breakfast. The forgetful traveler need not fret, as 95% of B&Bs offer toiletries for guests as well. While not as common, the majority also offer daily room cleaning service, soft beverages and water, and welcome snacks for guests.

Providing a comfortable and home-like environment is embedded in B&B culture, and most properties recognize the growing importance of these features. Outside of standard amenities available for guests, common areas are the most common type of facilities offered by B&Bs. Nine in 10 properties include a garden/patio for guests to enjoy free time outdoors, and nearly three quarters include a social area or lounge for visitors to relax and socialize with one another. Libraries with free books for guest use are also available in seven in 10 establishments.

Ancillary Revenue Streams

Suppliers throughout the travel industry seek creative ways to increase the amount

Figure 9:
Services that Generate Additional Revenue



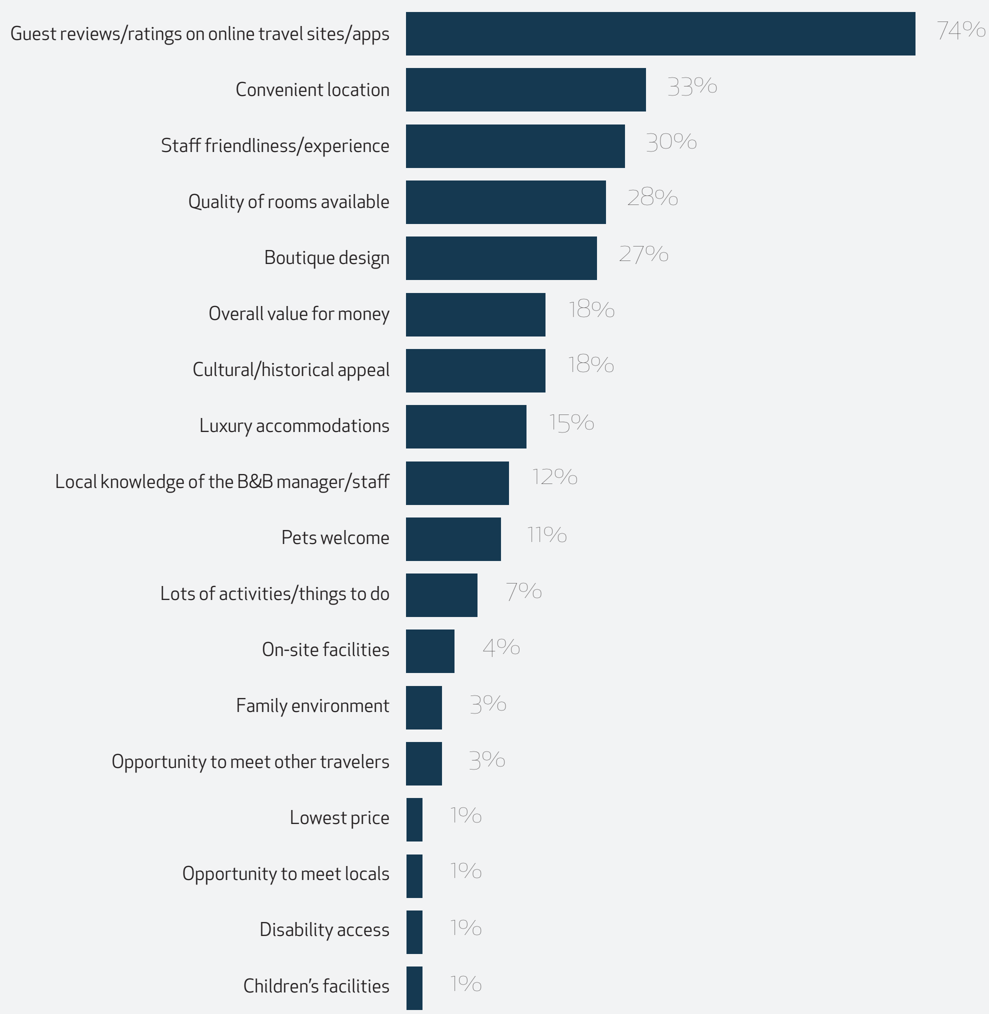
Question: Which of the following services generate additional revenue for your B&B?
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

of money they earn per customer, whether through ancillaries, optional upgrades or fees for individual services. While amenity offerings are rather consistent across the board, many B&Bs have opportunities for additional revenue streams. The highest ancillary revenue generator for B&Bs is wedding facilities and assisting with nuptial arrangements, which provides added revenue for a third of operators. This is followed by conference or meeting room rentals. Perhaps the largest opportunity for B&Bs to generate ancillary revenue is simply to add an extra room or facility with technology accessibility, as fewer than a third of B&Bs offer wedding facilities or a conference room for hire, despite the potential for these facilities to add to the bottom line.

Why Travelers Choose a B&B

So what draws a leisure traveler to stay in a B&B versus the array of other accommodation options available in a given destination? Like many services with an online presence, 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 reviews/ratings found online.

Figure 10:
Why Operators Feel Guests Choose B&B over Other Accommodation Options



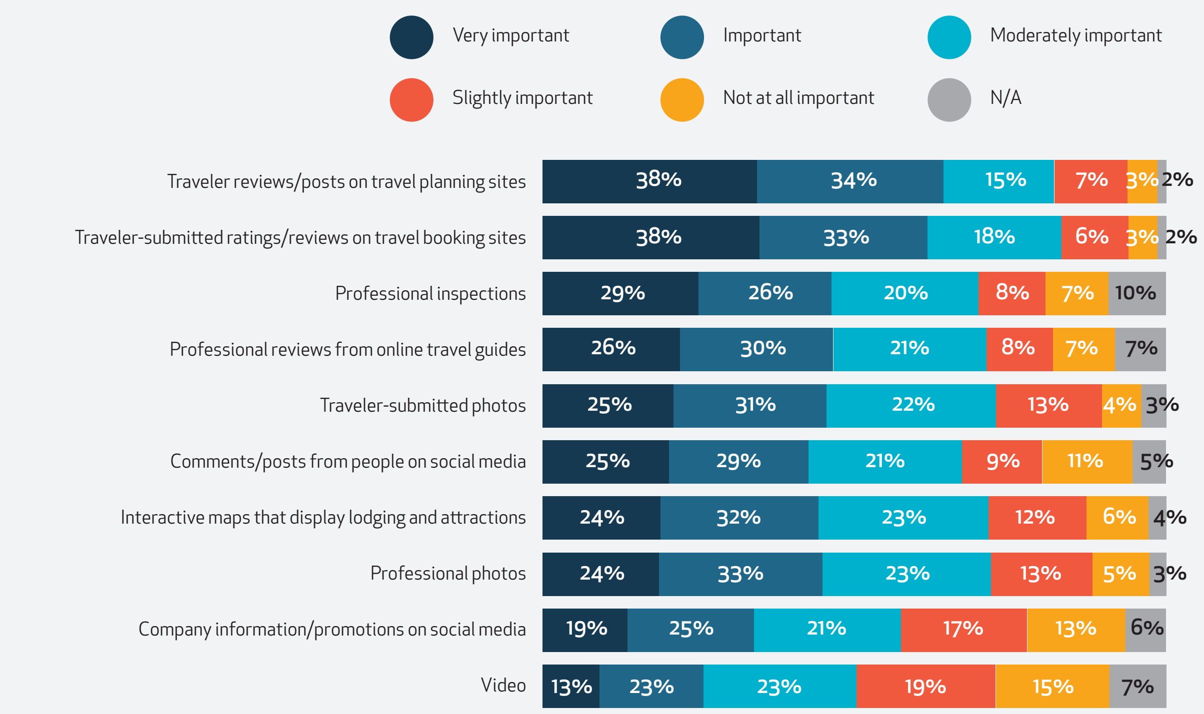
Question: Which of the following services generate additional revenue for your B&B?
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

More than twice as many operators rely on online ratings than convenience of location, staff friendliness, and quality of rooms, and more than four times as many pinpoint online guest reviews to the success of their property than the overall value for money that guests receive.

Property ratings and reviews are just as important for online shoppers as they are to the success of B&B properties. When researching B&Bs online, traveler-submitted ratings and reviews on travel planning sites and travel booking sites are very important for two in five travelers. Potential B&B guests are also keenly interested in professional inspections of B&B properties – three in 10 say this is very important when shopping for a B&B, even more so than professional reviews and traveler-submitted photos.

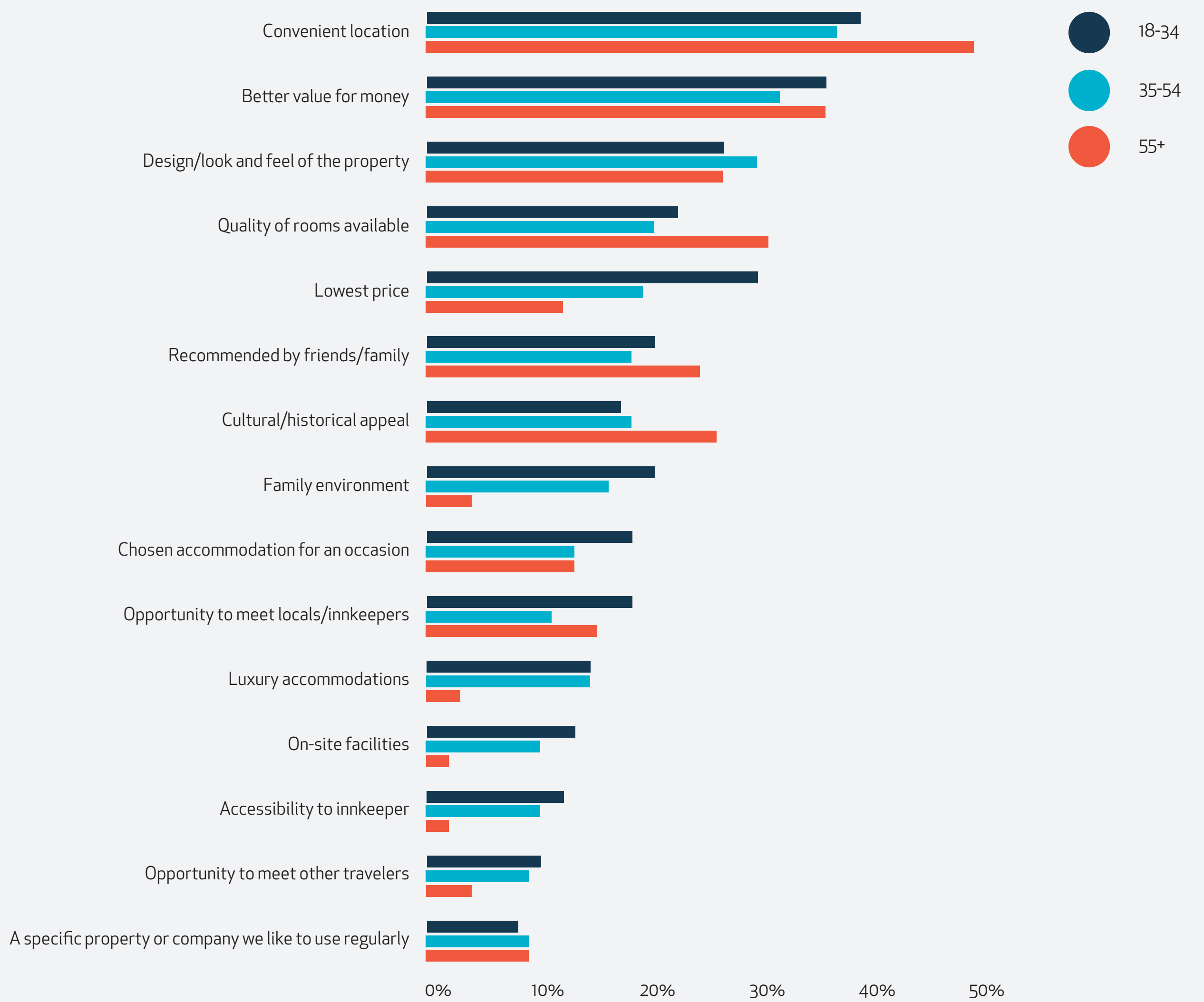
Location and value are still very important factors that go into the B&B decision process. However, reasons vary by age as well. Older B&B travelers prioritize convenience of location, quality of rooms, and cultural/historical appeal. Younger travelers prove to be cost-conscious – 30% of 18-34-year-olds chose a B&B based on the lowest price available. Travelers under 35 – who are in prime family years and likely traveling with children – also value a family environment much more so than their older peers.

Figure 11:
Importance of Online Features when Shopping for B&B



Question: Please rate the importance of each of the following online features when researching and selecting the B&B for this trip. If you did not use the feature or are unsure, please select the N/A option.
Base: Online Accommodation Researcher (N=375)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 12:
Why Travelers Chose a B&B for Last Trip

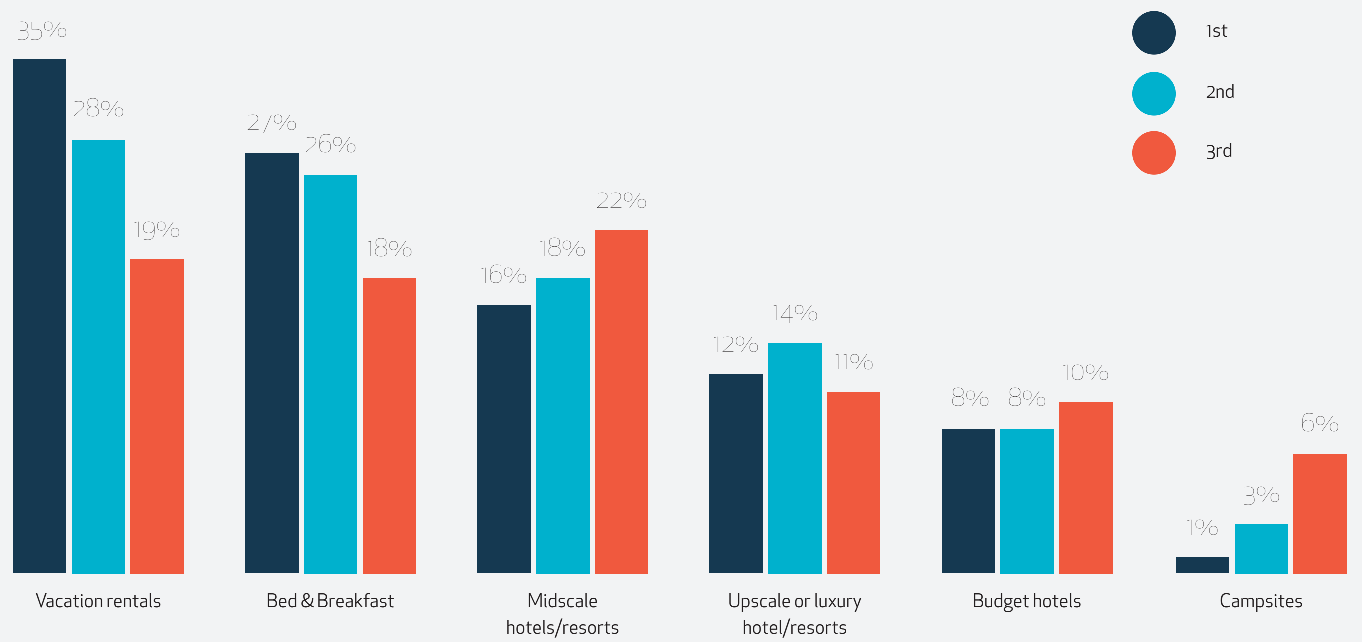


Question: Why did you choose a B&B for this trip, rather than a hotel or other accommodation? Select all that apply.
Base: B&B Guests (N=478)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Competitive Landscape

While hotels have long been considered a top threat for lodging operators of all types, the rapid rise of vacation rentals like Airbnb and HomeAway has quickly changed the competitive landscape. More than a third (35%) of B&B operators consider vacation rentals their top-ranked competition compared to less than one in five who view upscale, midscale or budget hotels as primary competition. The growing prominence of vacation rentals has even overtaken other B&Bs, as just 27% of operators consider other B&Bs and guesthouses as the biggest competitive threat.

Figure 13:
Perceived Competition for Innkeepers

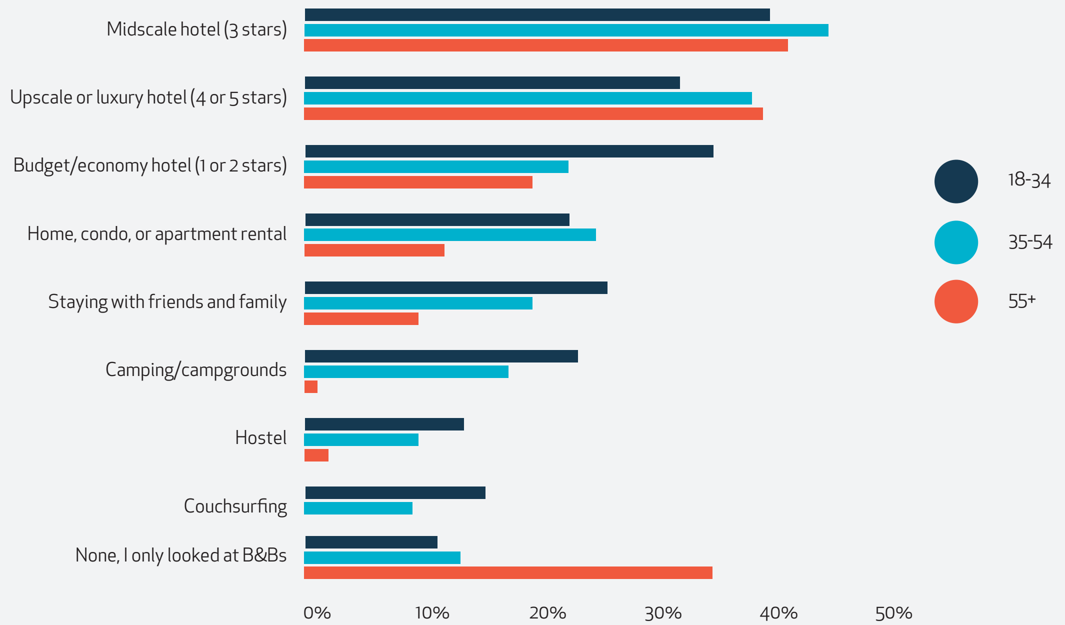


Question: Thinking of other accommodation types that you compete with for travelers in your city, please rank the top three in order of threat/impact to your B&B.
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

For innkeepers, hotels are not a concern. Many innkeepers believe B&B guests and hotel guests are two different customers – and a loyal hotel guest likely wouldn't stay in a B&B anyway. Nearby B&Bs are on a closer playing field, but B&B product offerings can vary so much that many operators still don't see them as a direct threat. In fact, many innkeepers strive for cooperation with neighboring B&Bs, cohabitating with properties so that guests can share service offerings and referring guests to one another if rooms are full.

But innkeepers are misjudging the consumer mindset. Most travelers begin the accommodation selection process with a clean slate and consider all types of options before choosing the best one. While innkeepers view vacation rentals and other B&Bs as their biggest competition, it turns out that midscale and upscale hotels are top contenders as travelers finalize accommodation choices. Younger travelers are likely to also consider a myriad of non-traditional options, like private accommodations, campgrounds, and hostels, or even staying with family or friends. Other B&Bs mostly pose a threat when it comes to older travelers choosing accommodations, as they're three times as likely as younger travelers to only consider B&Bs during the selection process.

Figure 14:
Other Accommodations Considered by B&B Guests



Question: 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.

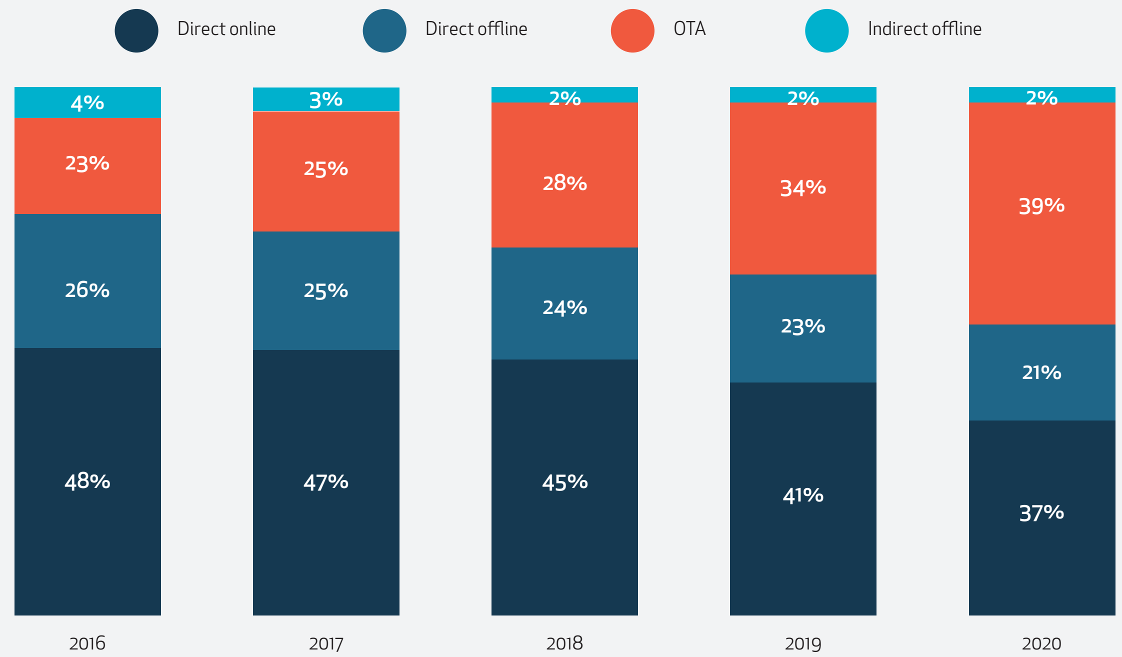
Channel Distribution and Marketing

Distribution Trends

Although the B&B segment is made up of a long tail of small operators that may be hard to discover during the shopping process, direct bookings still dominate the industry – not OTAs. This is unlike private accommodation and hostels, where small operators rely heavily on online agencies to acquire customers. B&Bs also differ from the hotel segment, which typically offers standard services, amenities and bookings processes. Product offerings can vary drastically from one B&B to the next, leading travelers to inquire and book directly rather than rely on online agencies. Three quarters of bookings were made through direct channels in 2016, the majority of which were placed through B&B websites. While direct channels already account for the overwhelming majority of bookings, direct online and offline will slowly decline to the benefit of OTAs in the coming years. By 2020, when the total B&B industry nears $5 billion in gross bookings, over three quarters of gross bookings will be made online – over half of which will be made through OTAs. Establishing relationships with agencies and proactively identifying ways to take advantage of distribution through intermediaries can be beneficial for innkeepers as OTAs will continue to increase share of booking revenue.

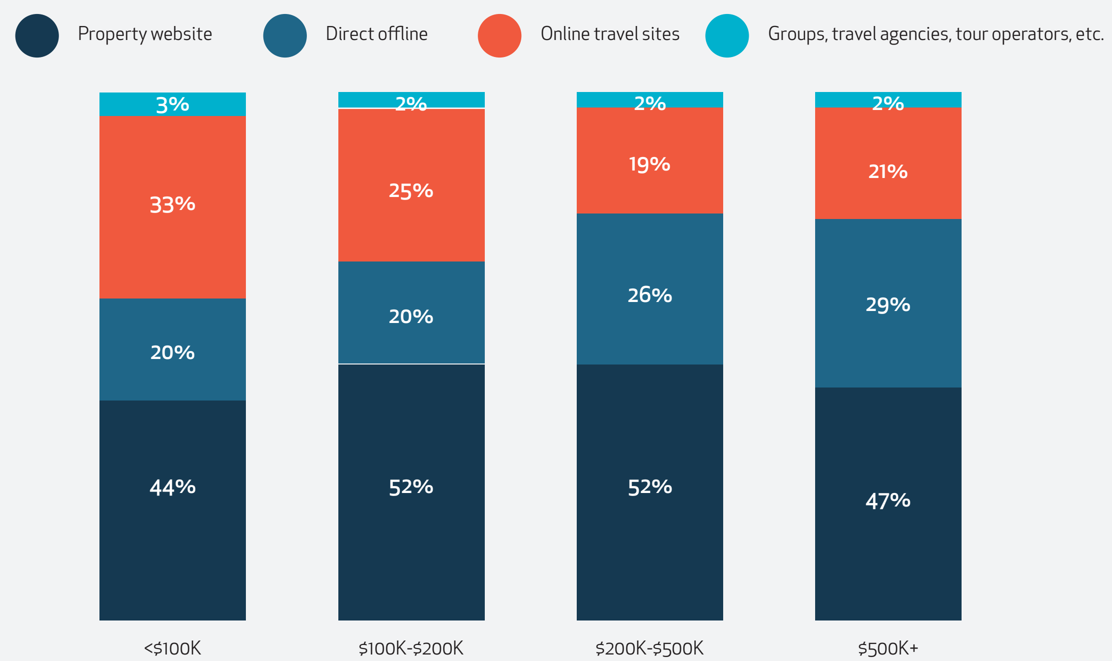
Attracting travelers and fulfilling rooms can be more of a challenge for operations with fewer resources. B&Bs that earn less than $100K in annual revenue get about one third of bookings through OTAs, compared to 20% for larger operations. However, agency

Figure 15:
U.S. B&B Channel Share, 2016-2020



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

Figure 16:
Distribution Mix by Annual Revenue



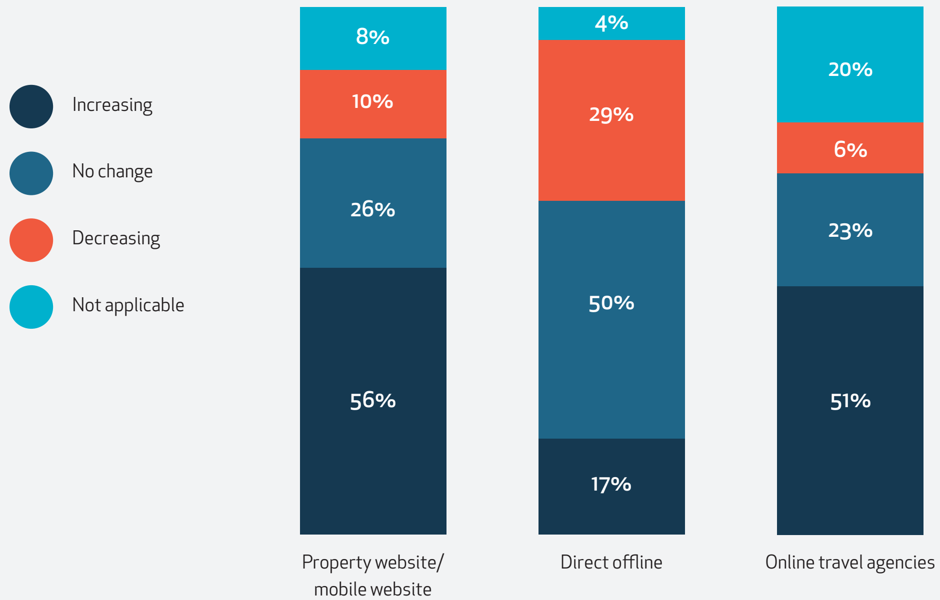
Question: Please provide your best estimates regarding the percentages of your B&B's bookings for last year (2016) that came from the following distribution channels.
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

share will likely jump for B&Bs of all sizes as new online aggregators continue to spring up and OTAs continue to improve service, support and booking efficiencies for both operators and travelers.

Many B&Bs are shifting direct offline bookings to online intentionally. It's not uncommon for guests to call a B&B to place reservations over the phone, but many innkeepers direct the caller to book through the B&B's website. This helps to streamline the booking process and maintain reservations within the property management system. Whether calling to ask questions regarding the property or make a reservation, over half of B&B guests who book online spoke with the B&B prior to the online booking (either through the property website or an OTA). Not only are bookings moving from offline to online, but B&Bs already feel the channel shift to OTAs as travelers increasingly shift booking behavior online and show a preference for OTAs over booking direct. Over half of operators say OTAs are increasing within their distribution mix. Innkeepers are likely to see more drastic effects in the coming years as OTAs inevitably take over even more channel share.

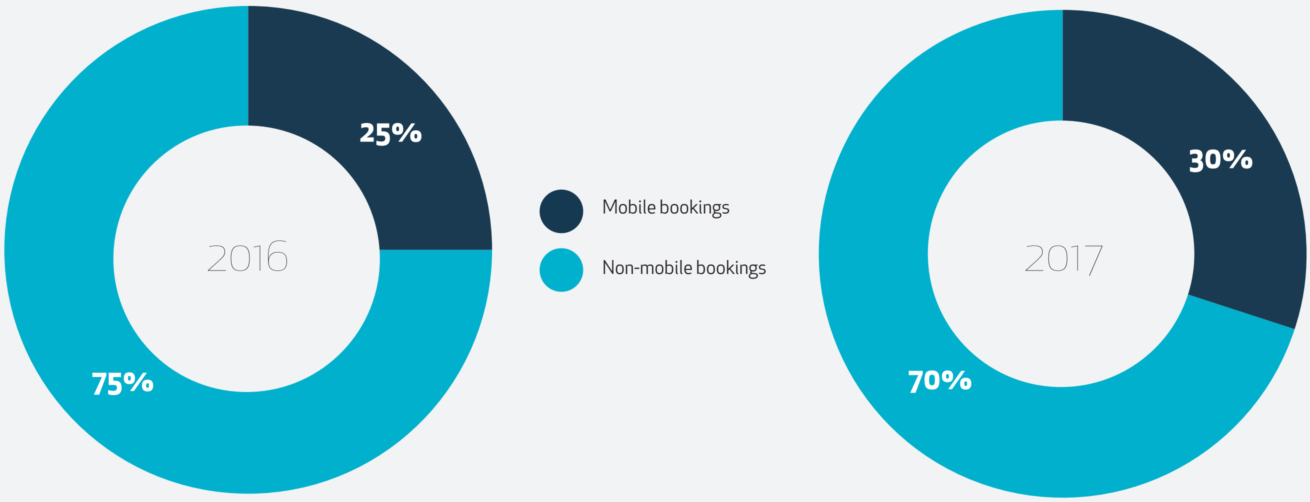
Direct booking activity is not only shifting from offline to online, but more and more travelers are booking via mobile devices. Mobile share of online bookings jumped five points in just one year, from 25% in 2016 to 30% in 2017.

Figure 17:
Change in Distribution Channels



Question: 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.

Figure 18:
Mobile Bookings as a Share of Online Direct Bookings



Question: What percentage of your direct online bookings are/were made via mobile (on your mobile website)?
Base: Lodging establishments (N=440)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

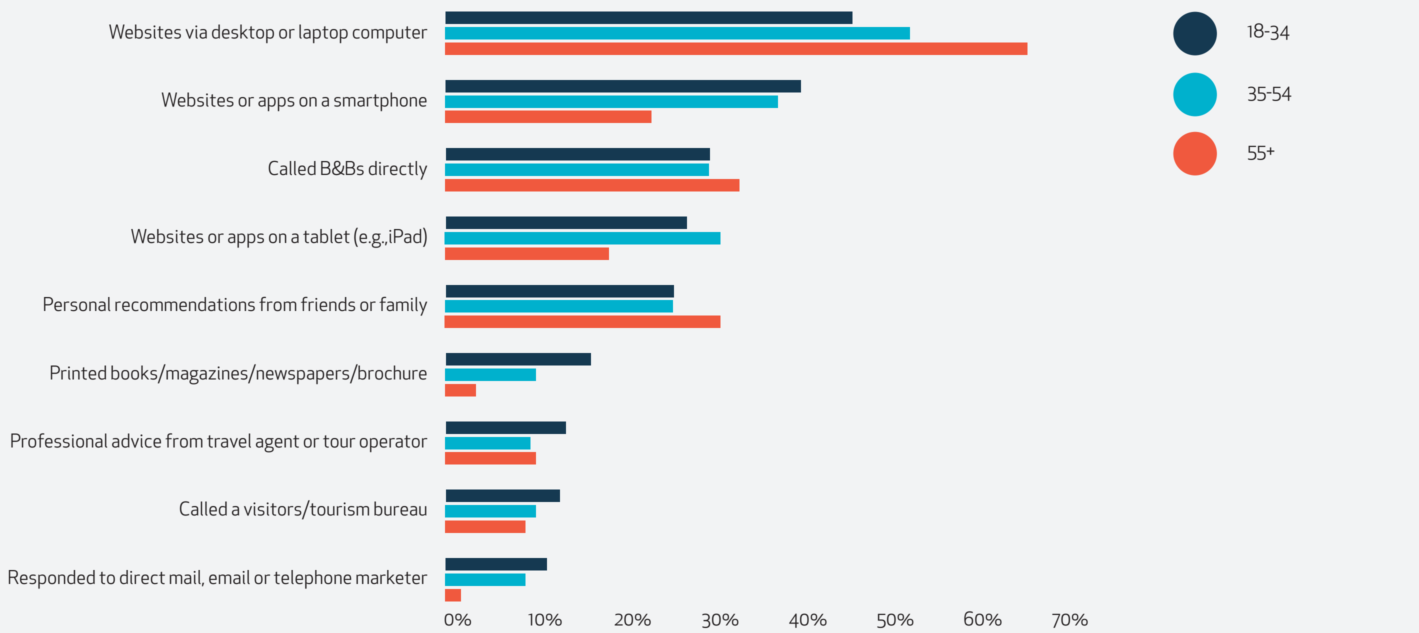
B&B Guest Booking Process

For the inexperienced B&B traveler, booking a B&B can be a complex process. Every property is unique and most differ vastly from the standard hotel experience. How do travelers go about finding and choosing a B&B among the myriad of other accommodation options?

Most B&B travelers begin planning their trip within a month of trip departure, though younger travelers are much more spontaneous with their plans. B&Bers 18-34-years-old are five times as likely as travelers 55+ to begin planning within two weeks of departure. Most accommodation research takes place on desktop computers, though young B&Bers are much more likely to search options on their smartphone than older travelers. Calling a B&B directly to ask questions and gather details is not uncommon, as nearly three in 10 travelers of all ages called B&Bs directly during the research process. Providing online booking capability with updated availability can help innkeepers take advantage of this traveler segment who seeks more information during the research phase.

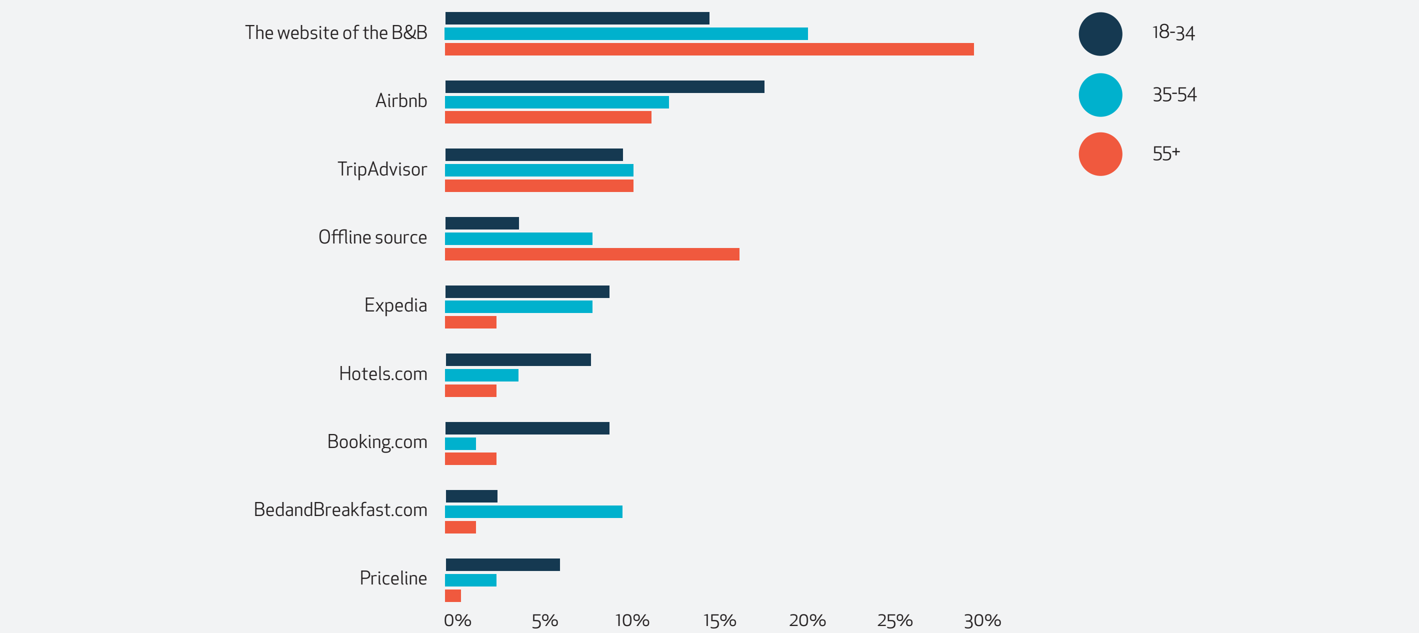
Travelers overwhelmingly book online – seven in 10 B&B bookings come through desktops, smartphones or tablets. Due to the online presence of B&Bs and innkeepers directing callers to their website, websites of B&Bs are the top online source for finding and booking B&B stays. Older travelers 55+ are twice as likely to find a B&B directly through the property website – not too surprising considering they generally prefer

Figure 19:
Other Accommodation Research Sources Considered by B&B Guests



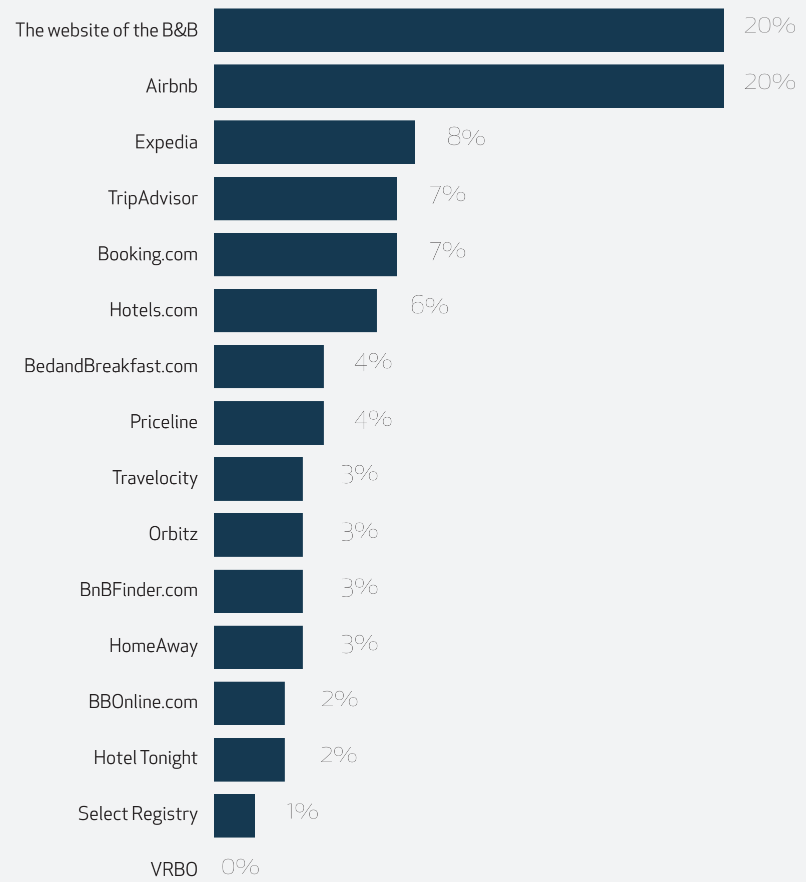
Question: Why did you choose a B&B for this trip, rather than a hotel or other accommodation research sources? Select all that apply.
Base: B&B Guests (N=478)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 20:
Where B&Bs are Found



Question: Where did you ultimately find, but not necessarily book, your B&B for this trip?
Base: B&B Guests (N=478)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 21:
Websites Used for Online Booking



Question: Which website or app did you use to book your B&B stay?
Base: B&B Online Booker (N=326)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

to book travel products directly through suppliers and are more likely to be returning customers to a specific B&B.

Airbnb, however, is neck and neck with B&B websites for discovery and bookings. Although Airbnb is not always a favorable choice for innkeepers to list properties (less than half of properties list on Airbnb), the website is still the second most common source for travelers to discover B&Bs. Airbnb – and most other OTAs – is far more common among younger travelers, who tend to be more price-conscious and brand agnostic than older travelers.

OTA Performance

Aside from strengthening online exposure, operators must weigh additional gains received from OTA partnerships against the cost. BedandBreakfast.com is the top listing choice for more than nine in 10 B&Bs, followed by the top travel review website in the U.S., TripAdvisor. The same holds true when it comes to booking volume, except the Expedia empire and Booking.com both edge out TripAdvisor. Airbnb is a delicate area. On one side, the growing prominence of Airbnb attracts travelers to – and from – all corners of the world. However, as listings for normal homes and apartments – and sometimes extremely unorthodox ones – spring up by the masses in urban and rural areas, some travelers confuse Airbnbs with traditional B&Bs and the new term somewhat tarnishes the B&B image. Despite some controversy over legal regulations and fighting for a level playing field, 44% of B&Bs still list their property on Airbnb, resulting in over 17K boutique hotels on the website. However, just one in 10 properties who list on OTAs says Airbnb generates the most bookings.

Booking volume is one important measure of OTAs, but many factors go into the relationship between an operator and an OTA. Aside from generating bookings, BedandBreakfast.com also receives high regard from innkeepers when it comes to service and support, accessibility of support, and guest quality. However, Airbnb proves to be a tough competitor. Properties that work with Airbnb rate the site higher than every other major OTA across a range of qualities, except when it comes to the ability to run specials or promotions. Most notably, Airbnb's commission rate stands out, as the site charges operators a nominal 3% compared to an average 14% typically paid to agencies for online bookings.

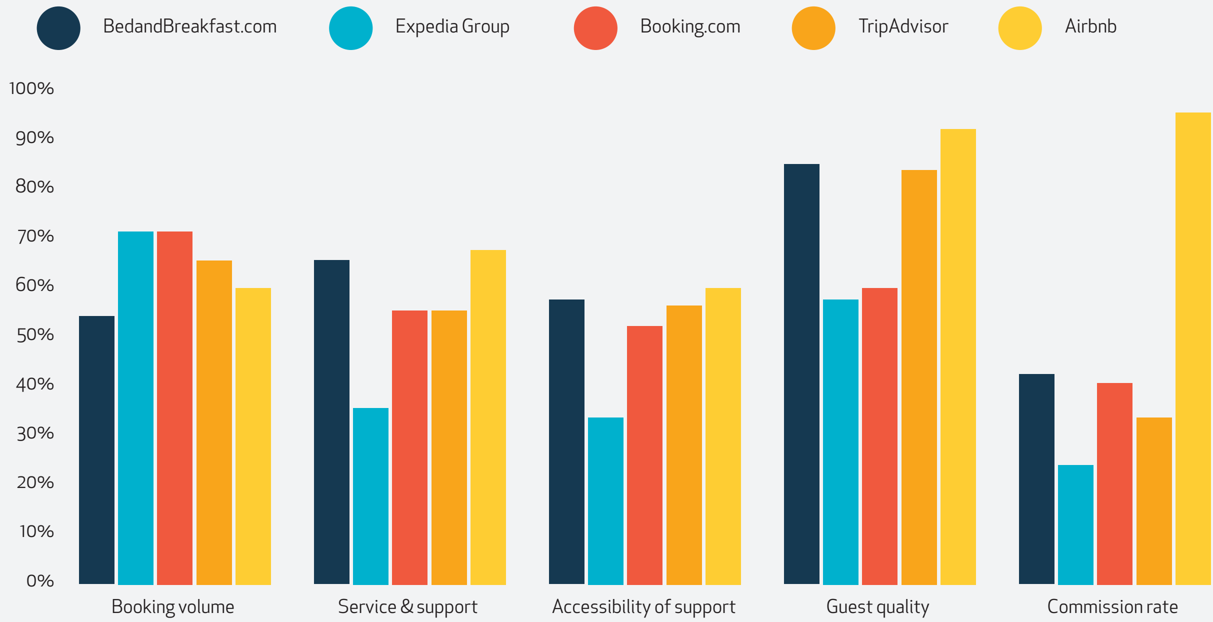
Figure 22:
Top Websites for Property Listings and Booking Volume

Top listing sites	%
Bedandbreakfast.com	93%
TripAdvisor	80%
Expedia/Hotels.com/Travelocity	63%
Booking.com	57%
Airbnb	44%

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

Question: On what websites do you list your property? Of the websites that you list on, which generate the most bookings?
Base: Lodging establishments (N=425)
Note: May be overly favorable to BedandBreakfast.com due to their role in fielding the survey.
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 23:
OTA ratings (excellent/good)



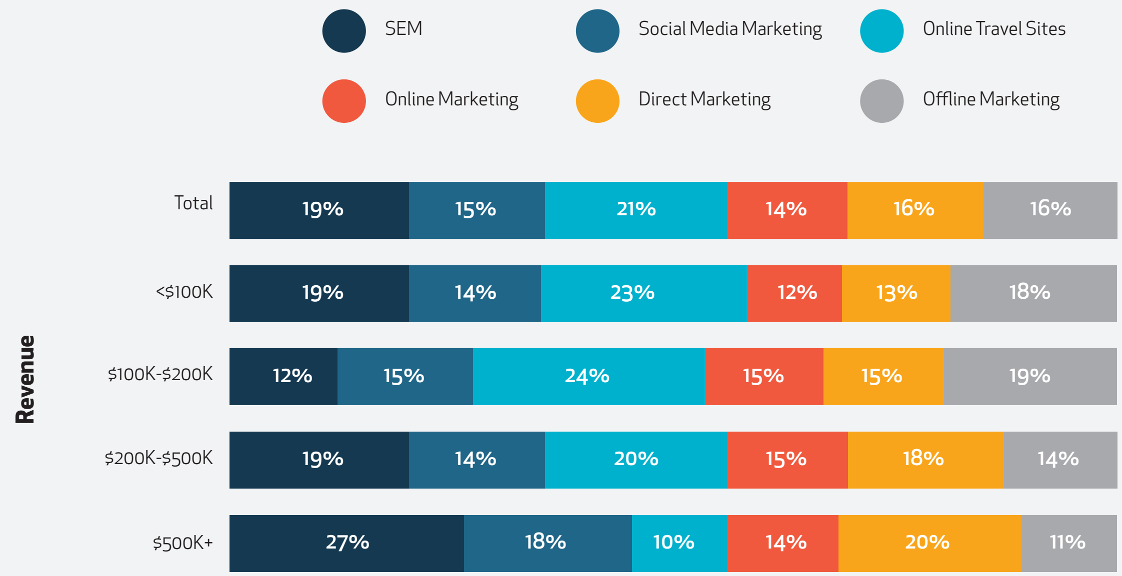
Question: Please rate on the following qualities on a scale of 1 to 5, with 1 being very poor, and 5 being excellent?
Base: Lodging establishments (N=2-240)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Promoting B&B Stays

Like distribution practices, B&Bs utilize an array of marketing methods to promote their business and gain exposure. Overall, marketing budget distribution is rather evenly spread across major channels, but channel usage varies by operator size. Though sometimes high, commission rates paid to OTAs can still be a more affordable option than other channels. For example, OTA commission rates can range from 15-25%. SEM, however, is becoming increasingly more competitive as big travel brands bid hard for keywords and drive up price, making it much harder for small operators to stand a chance. OTAs make up nearly a quarter of marketing and advertising budget for operators who earn under $200K in annual revenue. For operators with $500K or more in annual revenue and likely bigger marketing budgets, just 10% goes into OTAs and nearly half is allocated to SEM and social media marketing.

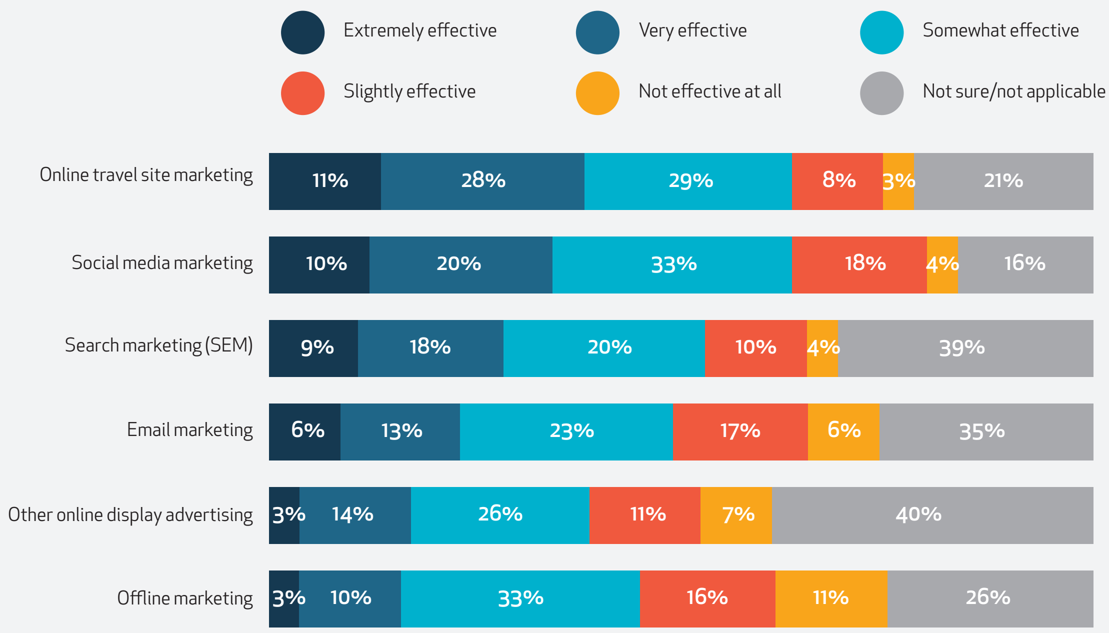
When it comes to bang for the buck, small B&Bs and those who invest marketing dollars into OTAs are likely the most satisfied operators. Four in 10 operators rate OTAs as very or extremely effective, the highest of all marketing channels. This is followed by social media platforms and SEM. Just over a quarter of B&Bs rate pricier, SEM practices as very or extremely effective.

Figure 24:
Marketing Budget Distribution



Question: What percentage of your marketing and advertising budget do you spend on the following channels?
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 25:
Marketing Channel Effectiveness



Question: We would like to learn the effectiveness of the following channels in marketing of your B&B.
Base: Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

The B&B Traveler

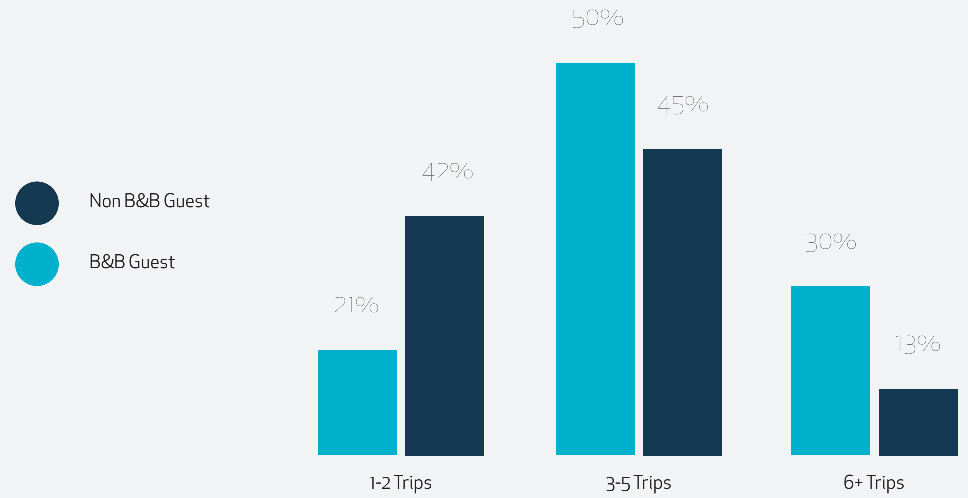
Typical Traveler Behavior

B&Bs are a common accommodation choice for peaceful retreats and romantic getaways for occasions like anniversaries and birthdays. The nature of B&Bs lends to the typical B&B guest being 35-64-years-old who travels as a couple or with another adult. While many travelers view B&Bs as accommodations for older couples more so than hotels or private accommodations, millennials – particularly 25-34-year-olds – are nearing this age bracket and beginning to exemplify travel behavior similar to that of the average B&B guest. Older millennials now have more money in their pockets and are willing to spend more on travel purchases than their younger counterparts. So while millennials may have the image of free-spirited and cost-conscious travelers, a large subset of this group is becoming part of the core demographic for B&B entrepreneurs.

Regardless of age, B&B travelers have unique behavior that sets them apart from the average leisure traveler. Quick getaways of three nights or less and short vacations (4-6 nights) are the most common types of trips for B&B guests. Nearly three quarters of B&B travelers have taken a short jaunt within the past year, compared to less than two-thirds of non-B&B travelers. Although B&Bers prefer shorter trips, they still like to travel – a lot. Eighty percent of B&B travelers take three or more leisure trips per year, compared to less than three in five non-B&B travelers.

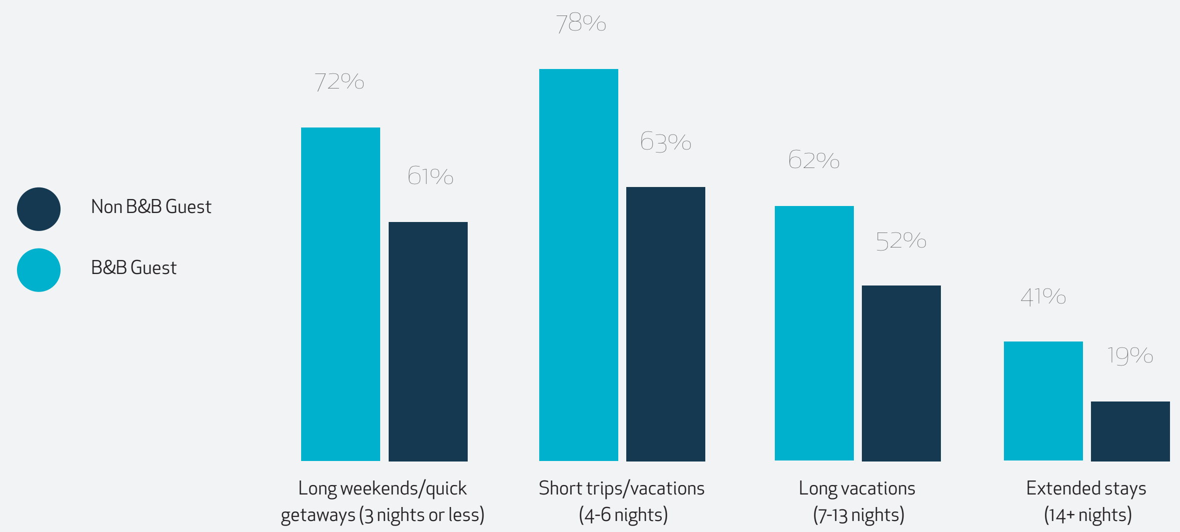
B&B travelers represent big opportunity for the industry. Not only are they frequent travelers, but they spend more on travel throughout the year and are more likely to

Figure 26:
Leisure Trips in Last 12 Months



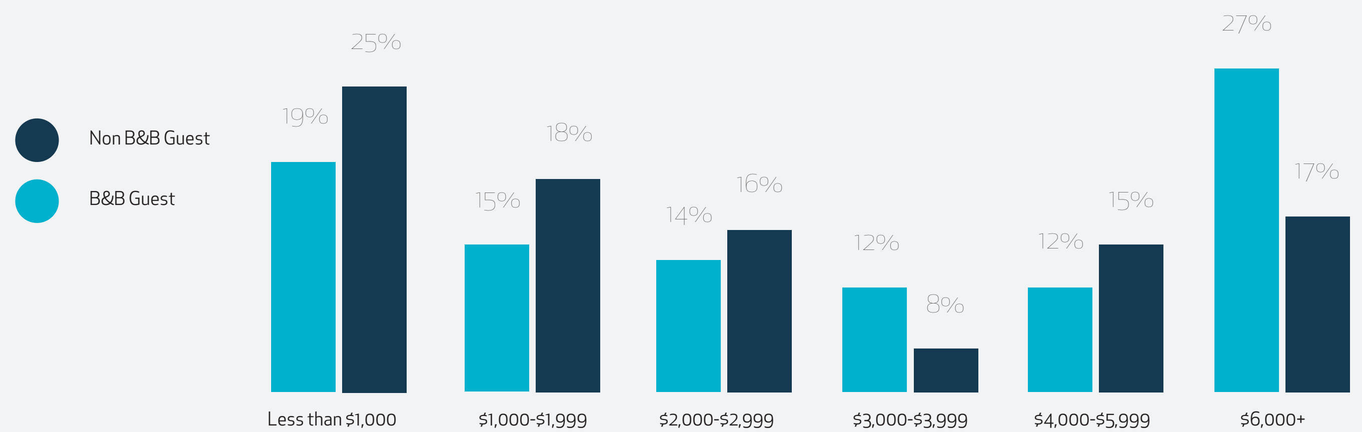
Question: In the past 12 months, how many total leisure trips did you take that included overnight accommodation? Please exclude any leisure trips that were an extension of a business trip.
Base: B&B Guests (N=478); Non B&B Guest (N=506)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 27:
Length of Trips Taken in Last 12 Months



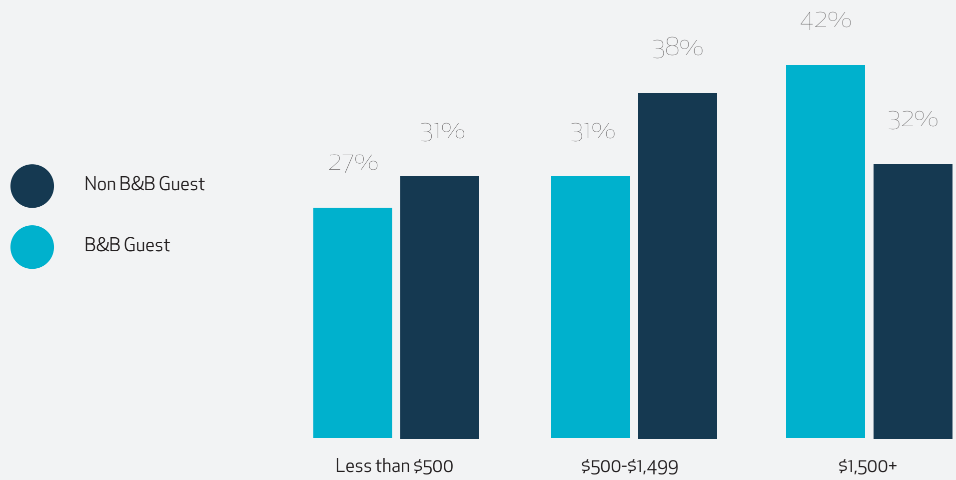
Question: Of your leisure trips in the past 12 months how many were short (two to three days), medium (four to six days) and longer? Please use whole numbers that add up to your response to the prior question
Base: B&B Guests (N=478); Non B&B Guest (N=506)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 28:
Travel Spend in Last 12 Months



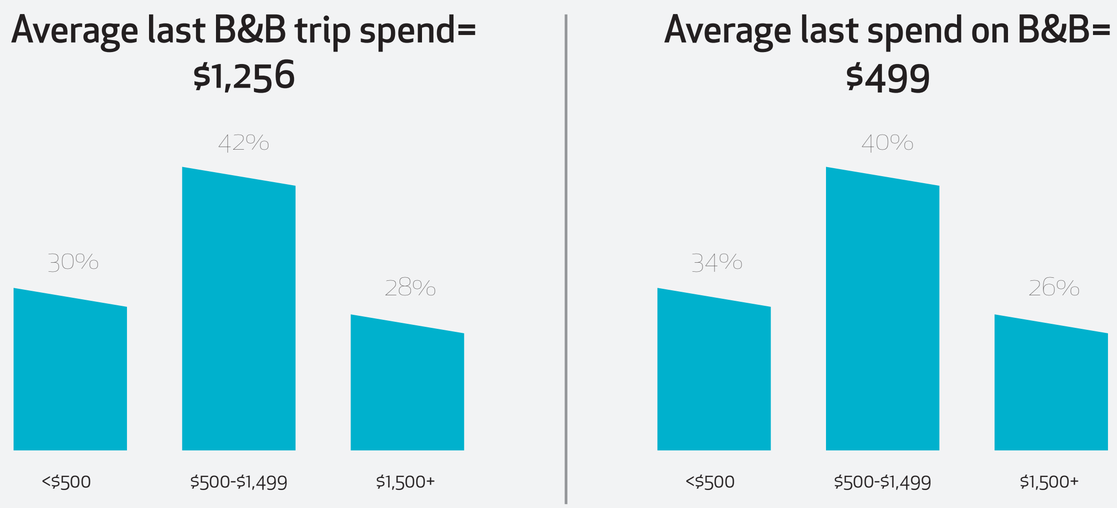
Question: What was the total amount you spent on travel components (including airline tickets, accommodation, car rentals, cruises, railway tickets for travel over 75 miles) for your N leisure trips you took in the past 12 months? Enter a whole number
Base: B&B Guests (N=478); Non B&B Guest (N=506)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

Figure 29:
Lodging Spend in Last 12 Months



Question: 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.

Figure 30:
Last B&B Trip Spend and Last B&B Spend



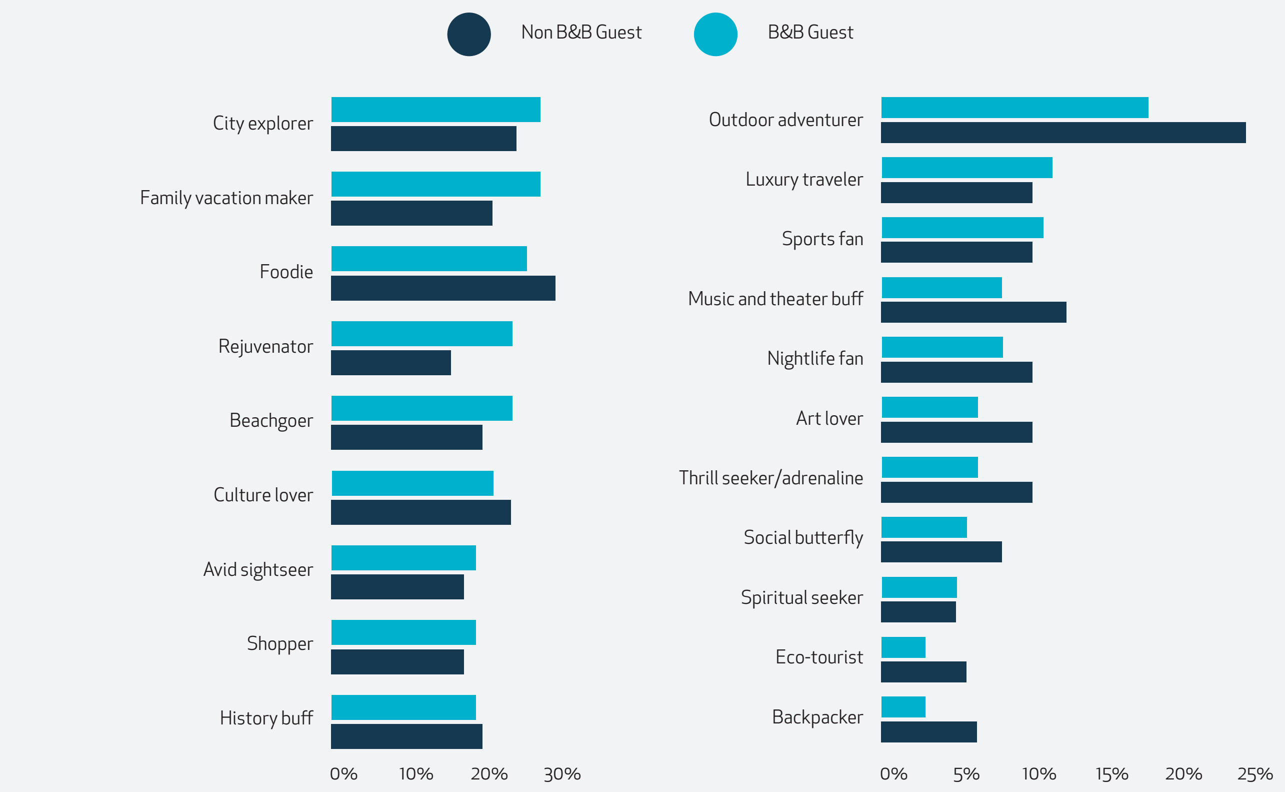
Question: What was the total amount that you spent on this trip? Please include all expenses incurred buying airline tickets, paid lodging, car rentals, cruises, railway tickets for travel over 75 miles, attraction tickets, dining, etc. Of the total trip spend, how much was spent on N- night stay in the B&B? Please only consider the cost of the B&B, including fees, and enter a whole number without $ sign or commas.
Base: B&B Guests (N=478)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

book additional travel components than the typical, non-B&B leisure traveler. Over a quarter of B&B guests spend at least $6K per year on travel compared to 17% of average leisure travelers. Bigger travel budgets also mean higher lodging spend – 42% spend $1,500 or more on lodging each year.

Attracting travelers to stay in B&Bs and converting them into repeat guests is crucial for individual properties and the industry overall. Although B&B travelers typically travel with small parties and go away for just a few days at a time, they still spend close to $1,300 on these short B&B trips. B&Bers also dedicate a lot of trip resources to their B&B of choice – the average last spend on a B&B is nearly $500, or 40% of total trip spend.

B&B guests are a very diverse set of travelers and are big into rest and relaxation – not too surprising considering many B&Bs cater to these types of trips. For example, B&B guests are 1.5 times more likely to describe themselves as a family vacation maker or rejuvenator as non-B&B guests. On the contrary, non-B&B travelers – who most likely stay in hotels, private accommodations and hostels – are much more into adventure and culture and consider themselves outdoor adventurers, music or theater buffs, art lovers, and adrenaline junkies.

Figure 31:
Traveler Self-Descriptions



Question: Which of the following best describes you as a traveler? Please select up to three.
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 Guest Satisfaction

Offerings vs. Satisfaction

Considering the amount of time and money invested in choosing accommodations for an upcoming trip, travelers have high expectations for the B&Bs they choose. In today's digital world, free Wi-Fi is expected nearly everywhere travelers go and tops the list of most important features when selecting a B&B. Wi-Fi access is even more important than complimentary breakfast, which B&B guests most likely expect to be included with the accommodations. Additionally, nearly a quarter of guests look for TVs in the guestrooms, which rounds out the top three most important features when selecting a B&B.

Despite what travelers want, B&Bs may not measure up to guest priorities. Only 62% of guests say their B&B included free Wi-Fi and less than half say complimentary breakfast and guestroom TVs were provided. However, there could be a possible misperception among B&B guests, as the overwhelming majority of B&B operators indicate these features are provided. Perhaps travelers are unaware the features are available or the amenities may only be included with certain rooms or rate packages. Guests who did experience these amenities are overall very satisfied – close to nine in 10 guests are satisfied or completely satisfied with the state of Wi-Fi and daily room cleaning services, and over three quarters approve of the complimentary breakfast received.

Figure 32:

Top Services and Amenities – Guest Priorities vs. B&B Offerings vs. Satisfaction

	B&B guest top priority	Offered by last B&B (per guests)	Offered by B&B (per B&B)	B&B guest satisfaction (completely satisfied/satisfied)
Free Wi-Fi	41%	62%	97%	86%
Complimentary breakfast	31%	48%	85%*	78%
TV in room	22%	47%	-	-
Daily room cleaning	19%	46%	79%	87%

**85% of B&Bs offer full breakfast, 22% offer continental breakfast*

Question: Which of the following services or amenities are most important to you when selecting a B&B? Please select up to three. Which of the following services and amenities did your B&B offer? Select all that apply. Please rate your satisfaction with each of the following aspects of your B&B stay. Which of the following amenities does your B&B offer to guests?
Base: B&B Guests (N=478); Lodging establishments (N=503)
Source: Phocuswright's B&Bs Unbound – The State of B&Bs in the U.S.

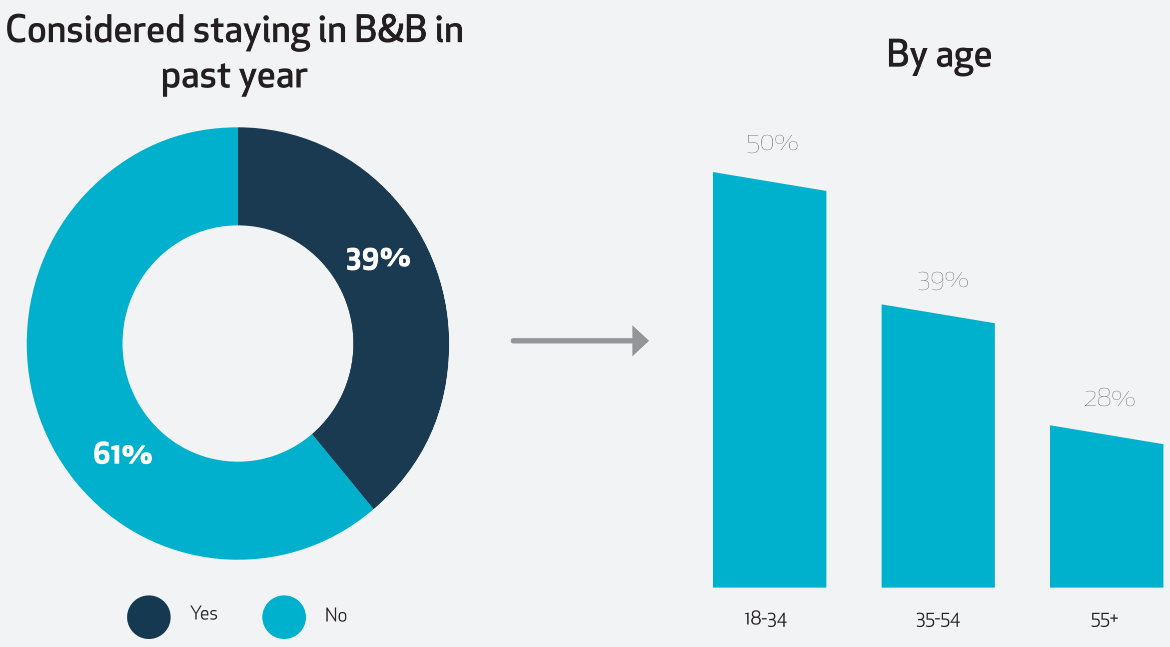
The Non-B&B Traveler Opportunity

Potential B&B Guests

Even with so many satisfied B&B guests, there's still plenty of opportunity for innkeepers to capitalize on. Although many travelers have not recently chosen a B&B, that's not to say B&Bs are completely out of the question. Nearly three in four non-B&B travelers have stayed in a B&B at some point, over half of which have experienced a B&B within the past five years. Travelers who fall into the typical B&B age demographic – those 35-54-year-olds – are most likely to have stayed in a B&B even more recently, as 40% have stayed in one within the past two years.

The traveler who considers a B&B but ultimately books elsewhere is of extreme importance for innkeepers. These travelers not only represent lost dollars and contribute to lower occupancy, they're also potential repeat customers that innkeepers may never know about. Two in five non-B&B guests considered staying in a B&B within the past year but ended up in another type of lodging. Millennials – many who now travel as a couple or with families – are most likely to consider B&Bs but end up in another type of lodging, likely mid-upscale hotels or private accommodations.

Figure 33:
Non-B&B Travelers Who Considered a B&B in the Past Year



Question: 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.

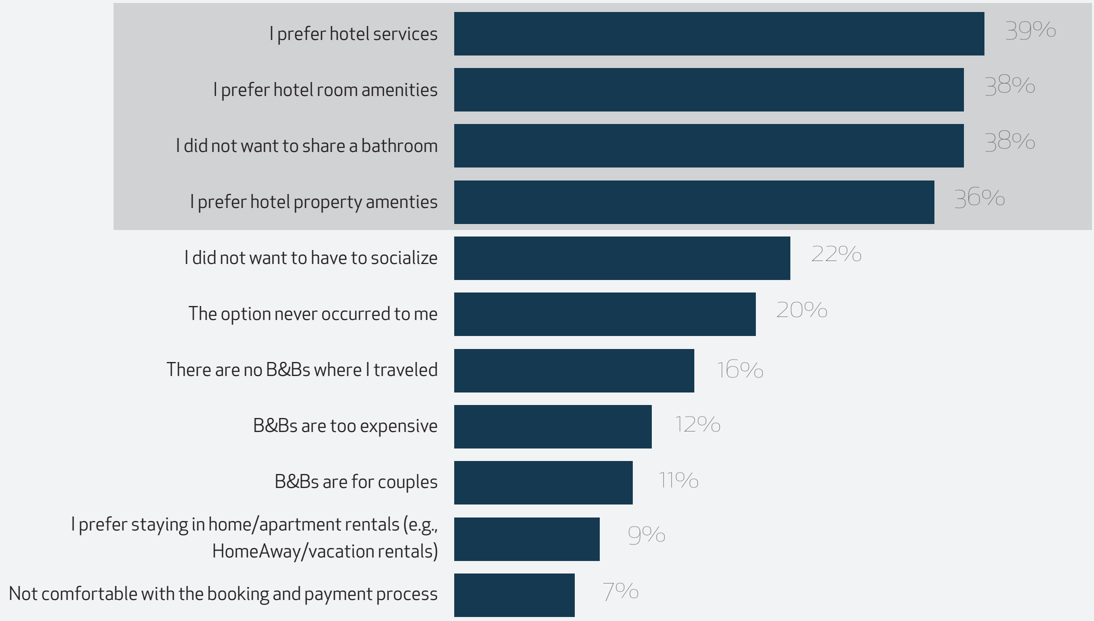
For travelers who considered a B&B within the past year, the available B&B options missed the mark on what travelers were looking for – one in three say there weren't any B&Bs that met their needs in the desired destination. Additionally, one in five alluded to not staying in a B&B because there were none available in the destination. Otherwise – just as some innkeepers suspect – B&B travelers and non-B&B travelers are oftentimes two different customer segments. Most travelers book elsewhere because they have specific accommodation preferences and simply prefer the hotel experience.

However, innkeepers shouldn't forget that most travelers do not have specific accommodations in mind and consider all sorts of options during the shopping process. Thus, a quarter of non-B&B travelers could easily be swayed to stay in a B&B for a future trip. Other than price and location, better marketing and payment processes could go a long way with travelers on the fence. 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. This is even more so for older travelers who tend to be much more keen about comfort and service level. Additionally, as travelers view most B&Bs as mom and pop shops with fewer resources, it's important for operators to offer online booking and clearly communicate secure booking and payment procedures. A third of travelers who are very or extremely likely to consider a B&B in the future say the ability to book and pay online would influence them to book a B&B in the future.

The Future of B&Bs

In today's travel landscape, travelers now have a broad range of accommodation options right at their fingertips. Chain hotels no longer dominate the lodging industry as

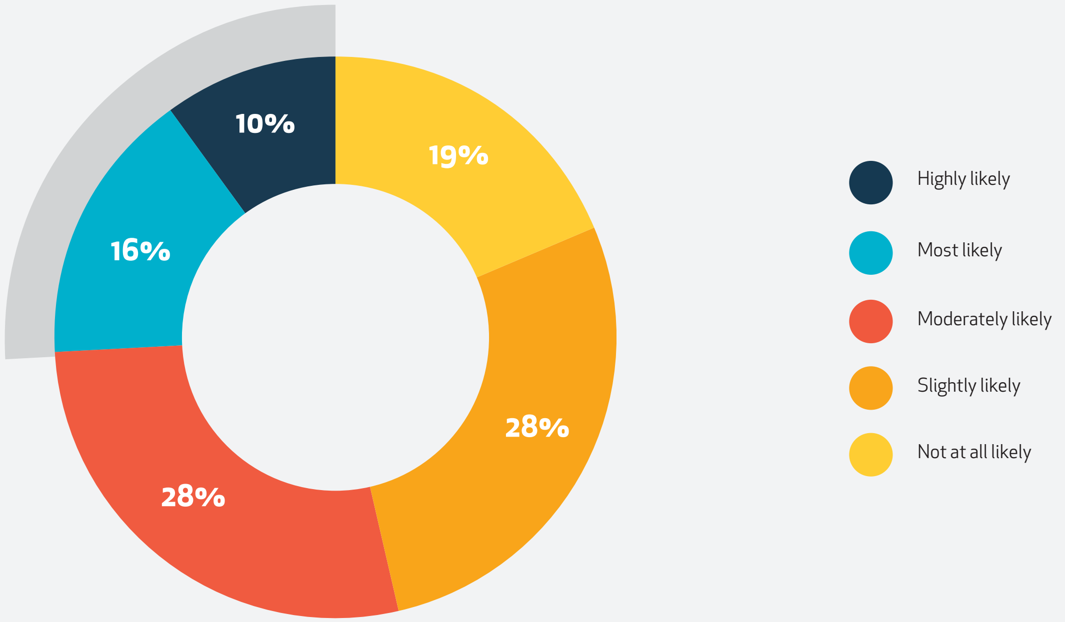
Figure 34:
Why Travelers Did Not Consider a B&B in the Past Year



Question: Why have you not considered staying in a B&B for any of your leisure travel over the past year? Select all that apply.
Base: Non B&B Guest Who Did Not Consider (N=310)
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.