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## **AN ARGUMENT FOR A CHANGE IN THE COMPETITIVE ANALYSIS SECTION OF LODGING MARKETABILITY STUDIES**

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### **ABSTRACT**

The changing dynamics of today's competitive lodging market require that we reexamine the logic used in the competitive analysis section of lodging marketability studies. The need to examine the existing logic has become important because three factors have influenced the dynamics of the competitive lodging market: franchising, market segmentation, and specialized operation (management). These factors made the competitive market diverse, competitive, and complex. However, the competitive analyses currently conducted by consultants who perform marketability studies do not fully acknowledge these changing realities in the competitive lodging market.

As it is currently performed, the competitive analysis identifies the current and future supply of lodging properties, the physical differences in the different properties in the competitive market area, historic demand and rates for rooms in the competitive market area, and an estimate of future demand for lodging in the area. The section is then followed by a recommendation on the physical attributes (Recommended Facilities) of the proposed hotel.

Our paper argues that due to various changes in the dynamics of the lodging market such as market segmentation, lodging product heterogeneity, proliferation of brands, role of management, increasing competition, and saturation of the lodging market, it is no longer enough to conduct the competitive analysis using the traditional method (preceding paragraph).

The lodging consultants need to include the role of brand competition and management in the competitive analysis. This calls for the consultant not just to be an expert in market analysis but also to have a good understanding of the strengths and weaknesses of each franchise affiliation and management company.

In order to include the roles of franchise affiliation and management company, the consultant will need to either create a new section in which such an analysis is conducted or incorporate this additional feature in the existing competitive analysis. The purpose of this presentation was to discuss the feasibility of this suggested approach with AHFME participants.

As part of our overall study in attempting to create a new model, a brief survey was mailed to AHFME members and some consultants prior to the conference in New York.

The survey was titled "Should Lodging Market Studies be Changed?" The survey had eight questions related to the relevance of market studies and the need for changing the current model.

The results were summarized and presented at the conference. The questions pertained to the following areas:

1. The appropriateness of the added feature in the lodging marketability study; the feature which measures the role of brand and management in analyzing the competitive strengths and weaknesses of the properties in the competitive market area; the appropriateness as viewed by the lender, consultant, and investor/developer.
2. The logistics of doing the additional analysis, which adds brand and management to the physical product analysis. Would this involve creating competitive indexes, benchmarking? What dimensions of brand, management, and product would be measured (such as size, location, rate, occupancy, etc.)? How would the information be collected? Would the information be readily available?
3. What would be the impact of including these added features to the studies? Would the stakeholders in the study value them?
4. Space was also provided for individual views on the subject of whether lodging market studies should be changed.