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Are Hotels Coveting only Half of the Millennial Market? Part One

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By David M. Brudney, ISHC, Founder and Principal, David Brudney & Associates

Like so many of you, I am smitten with reports on how hotels - - heavily coveting the critical millennial market - - are battling competitors such as Airbnb, HomeAway, and other short-term home-sharing lodging industry providers, for share of market in this new sharing economy age.

Millennials currently spend more than \$200 billion annually on travel; and they plan to increase frequency and spending

Inspired by destinations and authentic experiences

44 percent of millennials prefer rentals to hotels

Airbnb understands the millennial's mindset

Nearly half are making less money than their parents did

One in three still living with parents

These millennials - - more than 75 million aged 18-34, born between 1982 and 2004 - - are projected to be the now and future leisure and business traveler guests for whom hotels have been gearing up.

Marriott and Hilton have lost some lower-end customers to Airbnb and other home-sharing services, while most luxury and business guests have so far kept booking.

With millennials in mind, Marriott has made core changes in both their Element and Aloft brands. Hilton, Wyndham, and Choice among others are following suit as well.

Personalization, local expertise, location, and technology

Hoteliers are becoming aware that the best ways to compete against the alternative-accommodations providers is through personalization, local expertise, location, and technology.

That market is vast: millennials currently spend more than \$200 billion annually on travel, *FutureCast*, "Millennial Brief on Travel and Lodging".

Millennials plan to increase the frequency of their travel compared with Boomers (52.8 percent vs. 32.1 percent), and more millennials plan to increase their travel spending compared to Boomers as well (58 percent vs. 41.3 percent) *an American Express report*.

Questioning how deep is the size of the millennial market

That's why I was somewhat startled to read a survey conducted by researchers at both Stanford and Harvard (*released on line December 8th*) that begs the question, will all those millennials be able to afford such travel and become hotel guests?

That survey concluded nearly half of today's 30-year-olds are making less money than their parents did.

Since 2010, the percentage of millennials moving back in with their parents has increased from 24 percent to 26 percent. Millennials are less likely to be living independently of their families and establishing their own households than they were during the recession, *Pew Research Center*.

According to the U.S. Census Bureau, 22.9 million 18-34-year-olds in America live with their parents. That's one in three! Way more than at anytime since the 1940s.

A look inside the numbers

There has been so much written about these millennials, most interesting of all for me, however, was how millennials crave real **experiences, adventure - plus ways to do good and have fun at work**. And that craving, as I understand it, is a leading factor in why so many millennials seek out shared housing alternatives over standard hotels. **Here's what we know:**

- **44 percent of millennials prefer rentals to hotels**, *Hipmunk survey*;
- **“Millennials are digitally savvy and want to be inspired by destinations and authentic experiences** throughout the entirety of their travel lifecycle”, *Gilad Berenstein, “How Hotels Beat Airbnb by Getting in Bed with Today’s Traveler”, Hotel-Online, April 10, 2017*
- **Utilize travel in new and innovative ways** as a form of self-expression and a method to exhibit their diversity, *FutureCast’s study*;
- **Seek out hotels and locations where they can experience unique restaurants and explore;**
- **Favor experiences over material things;**
- **Want hotels to be social places;** guestrooms not as important, smaller, but must have connectivity;
- **Brand loyalty is not their thing;**
- **More willing to invest in what challenges them and makes them healthy;** “It’s expensive to be healthy, but it’s more expensive to be sick”. *“Trendy Places to sweat”, Ronald D. White, Los Angeles Times, August 23, 2017;*
- **68 percent of millennials begin their travel planning online** and close to half use their smartphones or tablets while travel planning, *Expedia Media Solutions, 2016 Travelers Path to Purchase study;*
- **Most apt to seek online travel-related information other than pricing;** more likely to search for travel tips and photos as well as information on culture, local economies and political climates; *Kerry Medina, Hotel Management;*
- **Prefer making hotel reservations online via mobile devices** (a strong feature of Airbnb), *“How hotels are beating the Airbnb challenge”, Alan Young, co-founder/president, Puzzle Planner;*
- **Tend to make reservations on a much shorter window** than typical guests, *“Luxury resorts and the millennial traveler”, Mark Grenoble, President, The Enchantment Group;*
- **Are “digitally native” consumers;** they want technology integrated throughout the hotel;
- **Spend more time on average per week on their smart phones** (19 hours, 39 minutes) **than watching TV**, *according to Nielson’s Comparable Metrics Report for fourth quarter of 2016;*
- **“Most are skeptical of traditional advertising**, *writes Ethan Varian, Los Angeles Times, August 11, 2017;* **millennials Favor “authenticity” as consumers;**
- **“Brands are looking to tell authentic stories to audiences,”** *Uproxx chief executive Ben Blank;*
- **Not buying cars or purchasing homes;** **“Consumer items like car and home purchases are at an all-time low”**, *Greg Sklott, Vice President for growth at Netpulse;* **Delay buying cars for years and even put off getting their driver’s license;** only about 60 percent of today’s 18-year-olds have a driver’s license, compared with 80 percent in the 1980s, *University of Michigan study;*
- **Delay having families, getting married later, leaving their home** later, *“Millennials not racing for cars”, Los Angeles Times, December 23, 2016.*
- **43 percent of millennials called owning a car a hassle.** They prefer to hail an Uber, take public transportation or even hitch a ride, *survey by NerdWallet.*
- **“Are a cynical and sophisticated bunch”**, says content marketing strategist Rebecca Leib. “(Millennials) are exceptionally valuable to advertisers as they are still forging buying habits and brand preferences. They must be met on their own terms if communication to be effective.”
- Brookings Institution research estimates that **by 2025 millennials will make up 75% of the workforce;** experiences over material things and community building will come to shape the workplace;
- **Hoteliers have embraced multiple forms of social media**, trying to find the right combination to reach all age groups and keep an eye on younger generations as they develop into having more spending power, *Hotel News Now;*
- “Motivated by **sharing enviable experiences across their social networks**”, *“Luxury resorts and the millennial traveler”, Mark Grenoble, President, The Enchantment Group;*
- Are using **social media platforms Snapchat and Instagram more than they are using Facebook**, *TechCrunch, an American online publisher of technology industry news;*
- “Make up around 45 percent of the workforce, and **they’d rather spend their money doing something cool and having an experience than buying or having material things;**” *said Jai Al-Attas, the 33-year-old founder of Loqules;*
- “They’re **a lot more socially aware**, and they want to be part of companies or groups **that give back to the community in some way;**” *said Al-Attas.*
- “This generation **cherishes freedom and creativity as key elements in the workplace.** With the sharing economy and its co-owning spirit, not only do today’s group of students and young graduates aspire to work for companies that, like them, prioritize inventiveness and self-determination, they increasingly consider starting their own businesses. **This cohort is called millepreneurs, and they will be instrumental in shaping the future of the hospitality industry and ultimately the global economy;**” *“The Fading American Dream,” Natalie Kitroeff and Melissa Etehad, Los Angeles Times, December 8, 2016.*

The U.S. economy has contributed to this situation. It hasn't been expanding as fast as it once was. The U.S. GDP was only 2.6 percent in 2015 as opposed to 7.4 percent in 1984; annual growth has not reached 5 percent since then.

More contributing reasons:

- Income inequality;
- Student loan debt;
- Finding work;
- Driving Uber or bartending;
- Rising rents, housing prices notoriously high in metropolitan areas, millennials may have no choice but to move to less-expensive suburbs;
- Boomerang generation: change in attitudes about back home with parents.

My Questions:

All this begs the questions:

1. Who amongst these 75 million millennials are spending that \$200 billion on travel annually?
2. And how much of that \$200 billion is being spent on hotels - - vs. alternative lodging accommodations?

Are the Millennials who have been or will be patronizing our hotels only those millennials who are primarily living on both the east and west coasts - - with dot.com jobs? Those who command much higher incomes? Are they "privileged" millennials? Did they graduate from better, top schools? Did they receive inheritance from their parents? Are parents supporting them financially? What's your take?

Well, whatever the answers are, one thing is for sure: what, if anything, are hotels doing about it?

Part II addresses what hotels can do and are doing to compete for traveling millennials with Airbnb and other alternative-lodging providers.

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About David M. Brudney



David M. Brudney, ISHC, principal and founder of **David Brudney & Associates**, a hospitality marketing consulting firm based in Carlsbad, CA, provides customized, professional sales and marketing services including independent sales and marketing operational assessments, sales training, mentoring, and speaking for hotels, resorts, conference centers, and destination marketing organization worldwide.

A sample of properties and destination marketing organizations where Brudney conducted comprehensive operational assessments include the Cosmopolitan of Las Vegas, NV, Westin Diplomat, Hollywood, FL, Ritz-Carlton, Kapalua, HI, Skytop Lodge, Skytop, PA, Tourism Vancouver, B.C., and Visit Baltimore (MD).

A sample of properties where Brudney has provided successful sales training and mentoring services include the Peabody Hotel, Orlando, FL, Westin St. Francis, San Francisco, CA, and Renaissance Hotel, Seattle, WA. He has lectured at UCLA's Anderson School of Management, Michigan State University's School of Hospitality Business, Penn State University's School of Hospitality Management, and Cal Poly Pomona's Collins College of Hospitality Management. Brudney has been a featured speaker for the Colombia Hotel & Tourism Association (COTELCO), Medellin, Colombia, the Irish Tourism Board, Dublin,

Ireland, Destination Marketing Association International, Hospitality Sales & Marketing Association International, Eugene, OR Conventions & Visitors Bureau, and Las Vegas Chapter of National Speakers Association.

Brudney is a nationally recognized hospitality industry spokesman who has been interviewed on Fox News and quoted on/in ABC News, the New York Times, Dow Jones/Market Watch, and the Los Angeles Times. He is a featured columnist for Smith Travel Research's Hotel News Now.

Prior to launching David Brudney & Associates in 1979, Brudney had a long and distinguished career in hotel sales and marketing with Hyatt Hotels Corporation, Westin Hotels & Resorts, and Marriott International, Inc. In addition to serving as National Sales Manager of Westin's Century Plaza Hotel, Brudney directed the sales and marketing efforts of the Westin Michigan Avenue Chicago and the Grand Hyatt San Francisco.

Brudney is a founding member and now serves as chairman emeritus of the International Society of Hospitality Consultants' Marketing Committee (www.ishc.com) and a charter member of Laguna Strategic Advisors (www.lagunastrategicadvisors.com). He received a B.A. degree from San Francisco State University and currently sits on the university's Broadcast and Electronic Communication Arts Advisory Board.

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