

# Versatile Hospitality Industry Across The Globe A Case Study on Development and Challenges in Hospitality Industry in United States of America

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**Abstract:** *Have you ever wondered what exactly is hospitality? It is essential to know there are four main segments in hospitality which are Food and Beverage, Lodging, Recreation, and Travel and Tourism. Each service makes an impact on the hospitality field as a whole. In the United States, hospitality has an enormous financial impact. Superior hospitality should give the guest the best possible experience and offer excellent customer service to make the customer want to come back again. The hospitality industry of the USA is huge, diverse and ever-expanding. This article covers a quick overview of the hospitality and leisure industry in the USA. It has been over a decade of the 9/11 attack which led to a recession for the US travel industry. Things have improved ever since and what has followed is a decade long story of expansion and innovation. However, this has again been stalled in 2020 due to the COVID-19 pandemic which has brought the global hospitality and travel market to a standstill. As of the now the most affected nation has been the US due to which the outlook of the travel and hospitality industry of the US looks grim at present.*

**Keywords:** Product, Industry, Service, Guest

## I. INTRODUCTION

Every industry experiences change, growth and evolution over time, and the tourism and hospitality sectors are no exception. With this in mind, we take a closer look at how

American hotel supply has developed over time—not just by number of new properties and rooms but through the evolution of the different hotel ownership models.

Hospitality is the relationship between guest and host, or the act or practice of being hospitable. Specifically, this includes the reception and entertainment of guests, visitors, or strangers, resorts, membership clubs, conventions, attractions, special events, and other services for travelers and tourists. Hotel, motels, inns, or such businesses that provides transitional or short-term lodging, with or without food. The hospitality industry consists of broad category of fields within the service industry that includes lodging, restaurants, event planning, theme parks, transportation, cruise line, and additional fields within the tourism industry. Hospitality also means providing services and welcoming strangers without expecting anything in return. Here if you see and redefine the words Hospital and Hospitality it will give you the same answer. In Hospital a Doctor takes care of a Stranger who comes to him without knowing who is in front of him with his physical problem and expects that he will be taken care properly without any doubt.

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## II. DEVELOPMENT OF HOSPITALITY INDUSTRY IN USA

The hospitality industry in the United States has been growing, with the rising number of international travelers visiting the country for leisure trips and with the rising business travel within the country. The total value of bookings increased from USD 116 billion in 2009 to USD 185 billion in 2017. The international arrivals in the country increased by 0.7% in 2017. Cities, like New York, managed to record high numbers of both leisure travelers and business travellers. Growth in digital innovation helped in recording this increasing number and it also helped the players who operate shared spaces, like Airbnb, to be able to reach out to their target audience. The total expenditure of international travellers recorded an all-time high value of USD 251 billion in 2017. Gross hotel bookings recorded a value of USD 185 billion in 2017, which was USD 116 billion in 2009. All these growing numbers, together, inspired the Department of Commerce to target 95.5 million international visitor arrivals, annually, by 2023, which is twice the number it recorded in 2000.

The hospitality industry in the United States always managed to score a growing number, over the past few years. Though the occupancy rates fluctuate from month to month, the overall revenue generated from the segment keeps increasing. The region recorded USD 280 billion in terms of the revenue generated in 2018, which was almost double the revenue it generated in the early 2000s. Since 2000, the region recorded positive growth in revenue, which dropped to USD 133 billion in 2009, due to the global recession, from USD 152 billion in 2008.

### Airbnb has Changed the Face of the Hospitality Industry in the United States

When it entered the hospitality industry in the United States in 2008, Airbnb was barely known to the general public. Yet, with its innovative space sharing idea and digitalization technique, it attracted the younger generation and reached a break-even point after a year from its inception. Currently, more than 60% of the accounts in Airbnb belong to millennials. It succeeded in attracting a greater number of customers, through its pricing strategy. Airbnb is offering shared spaces at fairly cheaper rates in the leading cities of the United States and the United Kingdom. There are spaces available for USD 14 per night, even in the prime cities of the world. According to recent statistics, Airbnb has approximately 150 million users and covers more than 65,000 cities in the world, with more than 5 million listings[1].

### Leisure Travel Is Set to Make Cities the Stars Once More

In 2020, cities across the US saw a dramatic decline in travel as people were less willing to expose themselves to the increased risk posed by crowding and higher infection concentrations. In 2021 and through 2022, that trend is reversing. In fact, leisure travel is transforming US cities into travel stars once more.

Which cities are expected to benefit the most from this trend, though? And which ones will be strong in domestic travel versus leisure travel?

The most lucrative destinations in the United States are expected to be New York City, Miami, Los Angeles, San Francisco, Dallas, and Chicago. However, each of those cities will be stronger in leisure than in domestic travel, some significantly so.

For instance, New York is expected to see an 80% leisure spending share, but only a 51% domestic share. Miami is even starker, with 82% for leisure and 34% for domestic. Los Angeles is a closer race, with 79% leisure and 51% domestic. Dallas might be the closest of all, with 80% leisure and 71% domestic.

### A. The Booming hospitality industry in the US

Overall 'hospitality and travel industry' is said to have directly generated close to \$3 Trillion globally as per estimates. Out of this, the hospitality and tourism market of the USA is the largest contributor by generating close to 600 US\$.

Indirectly the hospitality industry of the US is said to have generated close to \$1 Trillion in revenue.

That's close to 20% of the global direct revenue. This in itself speaks volume of the contribution of this country as far as the hospitality and travel industry is concerned.

Airlines sector has generated maximum revenue of around \$222 billion in 2018 and has grown further in 2020.

This is being closely followed by the hotel industry which is inching closer to the \$200 billion annual revenue mark. Cruise lines, restaurants, car rentals, theme parks, casinos etc have also contributed to the ever-increasing revenue of the hospitality and travel industry of the USA.

In the last 10 years, the US hospitality and leisure industry has seen a continuous growth which has been above the growth of Gross domestic product growth of the country. The below image details how the various sectors of the hospitality industry in the US grew between 2009-2017. The growth continued in 2018 and 2019 before the COVID-19 pandemic stalled the growth in 2020.

### **B. Creating numerous job opportunities**

The tourism industry is close to employing 1 in 10 people around the globe. The USA hospitality and tourism industry is the biggest contributor to this overall employment within this sector.

US hospitality industry has created 1,139,000 job opportunities as on date in 2019 which is way above the number in 2009. The number of job openings, according to the US Bureau of Labor Statistics, was 353,000 in 2009.

The USA is the most popular destination for hospitality professionals from all around the globe for employment. There are various visas and work permits to invite the best talent from around the globe to the USA. the training route through J1 visa is quite popular as well. Now, one might think why is the J1 visa USA this popular. Let's look at this in the context of the hospitality industry.

The Hospitality industry in the USA provides training opportunities in various sectors such as tourism and hospitality, management, finance, business, Media communications, public administration, etc. The hospitality industry of the USA is big and booming. This industry is much broader than any other industry.

Have a look at the below infographic courtesy American Hotel & Lodging Association (AHLA) about the Lodging industry of US in 2015. This number has swelled by a huge margin at the beginning of 2020. The below image is for reference and comparison purpose only.

This is just the story of the Hotel industry of US.

Restaurants, Theme Parks, Casinos, Facilities and forms of transportation provided to tourists such as cruise ships, trains, airlines etc. are also part of the huge hospitality industry.

Hospitality and Tourism Institutes also are very much a part of this industry. This increases the opportunities available to hospitality professionals from all around the globe.

### **C. Origin of most of the top hospitality companies in the world.**

Think of the top hotel chains in the world. From Hilton Worldwide to Marriott's; from Wyndham to Hyatt and many other hotel chains find their origin from within the USA.

A lot of these top hotel chains had a somewhat humble beginning within the USA before going global. Even today, this country leads the way as far as the number of hotels and hotel chains is concerned.

Even speaking about the Cruise ships, you would find the best ones originating from this country. Think of the likes of Disney and more.

Airlines industry is equally huge and so are the casino and theme park industry. Who can forget the Disney land?

Please have a look at our article on the top hospitality companies in the USA to know more about the expanse of the hospitality industry of the USA.

### **D. Pushing global growth of the hospitality industry through Technology**

When we speak about technology and innovation, the hospitality industry of the USA is showing the world a clear way ahead.

Some of the top hospitality innovation have been pioneered within the hospitality industry of the USA.

We will not be short of examples in terms of discussing hospitality innovation that has originated from the USA. Some of these are:

Digital keyless entry

Robot as butler and concierge

Augmented reality in the travel industry (Google and Facebook have helped the cause but they are US firms too)

Virtual reality (for an enhanced booking and travel experience) Smart hotels

Greater use of artificial intelligence for improved customer service and support Greater use of Blockchain and Internet of things (IoT) within the hospitality industry and there are more that we have surely missed as the list is endless.

### III. CHALLENGES

It's no secret that the hospitality industry has struggled in the past year and will continue to recover and grow in 2021. Hospitality businesses are continually faced with many challenges regarding trends and customer expectations; the industry is rapidly growing, and organisations are struggling to keep up with the demand. We have gathered together the top challenges facing the hospitality industry in 2021 listed below.

#### A. Implementation of Technology

Over the past year technology has ramped up within the hospitality industry; self check-ins, contactless service, online ordering and payment via apps has become the new norm.

It's a challenge for the industry to provide a good customer experience with a mix of human and tech-enabled interactions; customers crave experience thus the company must be doing everything they can to adhere to this. If the technology system is not in place at all or is down it can stop the whole production system, thus organisations need to have back-up plans in place to be prepared for any issue thrown at them with the world of technology.

#### B. Reputation Management

Online platforms are becoming increasingly popular every year, with customers giving companies online reviews, through comments, ratings and photos. The hospitality industry has been battling to establish strong relationships with their consumers to increase their reputation.

Reviews and comments can destroy or glamorise companies, thus the industry needs to utilise certain platforms to their advantage and manage their reputation, a challenge that organisations will face in 2021.

#### C. Retaining and Attracting Employees

The hospitality industry is known for high turnover rates, with about one-third of workers quitting their jobs after working for just six months and around 45 percent of workers holding on for an average of two years.

The industry is continuing to grow with more employees being expected to be hired every year, thus for companies to remain competitive they need to ensure they have employees with strong qualities, skills and knowledge. Employee expectations are always changing and growing, organisations need to keep up with the latest trends for attracting and retaining employees, which is proving to be an ongoing challenge within the hospitality industry[2].

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#### D. Environmentally Friendly Practices

Environmental pressures continue to shape today's hospitality industry, over the past 10 years it has been a key focus for all organisations to invest in. Sustainable practices make hospitality companies stand out, consumers want to know that the business they purchase from follow environmentally, socially and culturally sound practices. Especially evident with Millennials and Generations Z'ers, consumers will pay more for products that don't harm the environment or affect wildlife.

A complete overhaul of the organisations systems and products to follow sustainable measures will become expensive and won't last, whereas small steps over time to adhere to socially responsible guidelines will have a lasting effect on your customers and the environment, increasing the company's reputation. A massive challenge that businesses will continue to face in the future as sustainability is becoming a way of life to the public and organisations.

#### E. Personalising Customers Experience

Customers today have grown to expect to be recognised and treated as individuals, rather than a steam-lined operations system. While consumers expect a greater level of personalization, businesses still struggle to translate data and insights into actions[3].

This information provides companies with customers past buying habits and their interests, enabling the hospitality industry to tailor their offers and promotions to specific customers. The industry needs to continually find new and unique ways to personalise a customer's experience to keep a competitive edge.

### F. Loyalty Programs

Loyalty programs are one of the top-level marketing strategies to obtain returning customers and most individuals expect a loyalty system when purchasing from a business. The hospitality industry battles each other to attract a loyal customer base and provide the best deals / product to consumers.

There are multiple challenges companies face when implementing a loyalty program mainly inaccessibility and confusion, as some customers will not participate in a system that has complex accessibility or that people do not understand. Furthermore, loyalty programs that are unappealing and obsolete to consumers are also extremely unsuccessful.

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## IV. LITERATURE REVIEW

It's never been easy to make money in the restaurant industry. A highly fragmented sector dominated by 70 percent independent owners and operators, the average restaurant's annual revenue hovers around \$1 million and generates an operating profit of just 4-5 percent. A financially sustainable business model for small independents is often elusive.

So when a crisis of the magnitude of the COVID-19 global pandemic forces restaurants to close, and their revenue drops to zero overnight, things get particularly dire. Unlike the oligopolistic airline industry, where a few large firms can easily band together to lobby for government support, the concerns of restaurant owners and the unique realities and concerns of their industry remain largely unaddressed by government programs designed to help small businesses[4].

Two months into the pandemic, 40 percent of America's restaurants were shuttered and 8 million employees out of work—three times the job losses seen by any other industry. While some restaurants began reopening in May and June, most featured only takeout, delivery, or outdoor dining options due to local restrictions. The number of diners in June remained down more than 65 percent year over year, and the National Restaurant Association projected an industry revenue shortfall of \$240 billion for the year.

Second-order effects of restaurant closures ripple through the American economy, bringing economic pain to farmers, fishermen, foragers, ranchers, manufacturers, and other producers who supply the industry. Equally hit are supply chain partners who move goods across the country.

Coming into 2020, the restaurant industry was thriving. Within a few short months, we now see an industry back on its heels, massively disrupted by an external force so unprecedented it is almost unfathomable.

The severity of this business interruption will continue to endure and be further complicated by the mandate of many local governments that dine-in capacity be limited to 25-50 percent even after restaurants are permitted to reopen. It's still an open question how skittish the American public will be about returning to one of its favorite pastimes.

As a result, the restaurant industry that emerges from the global pandemic will likely look fundamentally different from the one that existed in early March. How will the COVID-19 crisis change the landscape of the industry, and what do restaurants need to do to survive? And, what should consumers, desperate to return to their favorite restaurants but wary about whether it is safe to do so, expect[5].

## V. SUMMARY

With slowing vaccination rates (66% of the US population was fully vaccinated as of May 17, 2022, according to the Mayo Clinic) and new variants continuing to infect, coupled with volatility in the financial markets and geopolitical stress resulting from Russia's invasion of Ukraine, lodging's recovery could still be bumpy this year[6].

In 2023, we expect demand growth from individual business travelers and groups to more than offset a potential softening in leisure demand (as international leisure travel continues to recover and people who took vacations domestically over the past two years, venture abroad). Growth in both occupancy and ADR is expected, with a year-over-year rebound in RevPAR of 6.6% - - approximately 114% of pre-pandemic levels.

Challenges to this outlook include the ongoing conflict in Ukraine, potential impact of the Fed's increases in interest rates on the US economy, and any new variants of the virus[7].



## **VI. CONCLUSION**

While the US hospitality industry is recovering, that recovery is not even across all hotels. What's more, small hotels have access to fewer resources than regional and global brands and are more adversely affected by market shifts. So, what can owners do to take an active hand in their own recovery?

**Marketing Spend Reprioritization** – One of the most important things for small hotel owners to do is to reprioritize their marketing spending. COVID-19 hit the reset button on audience segments, and chances are good that in 2021, 2022, 2023, and 2024 you will see a much different audience than before 2020.

For hotel owners, it's time to dive deep into the process of determining what emerging audience segments to target with your marketing – where are those emerging demand pockets? What are the alternative locations? For many, local audiences are the first to target, particularly in the leisure sector as Americans begin to slowly emerge from lockdown.

**Evaluate Your Technology** – Now is the time to assess the technology partners you work with. Many small hotel owners jettisoned tech partners at the onset of the pandemic. Before you onboard those same partners, it's important to answer a few critical questions, such as:

Have they made the changes necessary to cope with the lingering effects of COVID-19 on traveler behavior, expectations, and demands?

Do they offer touchless/contactless solutions that help improve guest/staff health and safety? Do they allow you to process mobile/remote payments for guests?

Do they facilitate remote check-in and check-out so that guests can go straight to their room or depart at the end of their stay without having to stand in line at the front desk?

**Plans for Virus Spikes** – There is a very good chance that COVID-19 will be with us for a long time, and that we will continue to deal with variants of different severity levels. Delta and Mu are just two examples of these. Each new variant poses a unique threat level and it is important that your property has a plan in place to deal with spikes and travel warning flags. This is particularly important if your property depends on leisure travelers from overseas or long-distance domestic travel.

**Events and Gatherings** – For properties that host conventions and events, what plans will you have in place to safeguard attendees? Are you willing to consider CAPEX investments that allow you to handle virtual events so that the property can still host them but guests can attend online? Can you alter your current CAPEX plans to account for this need?

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