



# Demand for Extended Stay

The gig economy, super commuters, infrastructure builders, other project-based workers, and even smart, self-sufficient, and value-conscious leisure travelers, are helping to boost demand for one of the fastest growing segments of the hotel industry: **EXTENDED STAY.**

**W**hy are so many independent travelers and economic decision makers choosing extended stay hotels?

Business travelers who stay five or more nights in a hotel currently comprise more than one-quarter of the demand for the nation's 56,000 hotels and 5.2 million rooms, according to Tom Buoy, Executive Vice President of Revenue, for Extended Stay America. U.S. extended stay inventory currently represents just 8% of total lodging supply. Read on as this white paper highlights the value of extended stay for managed travel and workers paying for their own lodging, as well as why extended stay hotels are becoming the hotel of choice for super commuters and the gig economy.

## **WHO ARE THESE EXTENDED STAY TRAVELERS?**

Instead of checking in and out of different hotels, an extended stay traveler is more likely to find a place to call

# THE MARKET

About 30,000 new extended stay hotel rooms opened between mid-2016 and mid-2017, according to Mark Skinner, partner with The Highland Group, an Atlanta-based hotel investment advisory firm that has studied the segment since 1999. Extended stay occupancy has remained stable at 76% to 77%, even with the addition of 80,000 new rooms over the last four years to increase supply by 23%. “Despite much greater supply growth than the overall hotel industry, maintaining high occupancy has enabled extended stay hotels to increase average daily rates faster than all hotels,” Skinner wrote in a column for Hotel News Now.

As of mid-2017, the extended stay market approached 434,000 rooms open with 50,000 rooms under construction in the United States, the largest ever, according to Skinner. The extended stay market is divided into three tiers, an upper-level, midprice and economy. The midprice extended stay segment generally operates at a daily rate between \$50 and \$100, according to The Highland Group.

home and remain there for the duration of their engagement, whether five nights or five months. Rather than packing and unpacking on periodic returns home, some of these business travelers simply leave their belongings in their “home-away-from-home,” and thus eliminate luggage fees or hassles of securing overhead airplane storage space on weekends at home of long assignments.

Extended stay properties and serviced apartments long have served individuals and families who were relocating or displaced from their own homes due to natural or manmade disasters or other reasons. Increasingly, new types of business travelers are finding the value of extended stay, directed by corporate travel departments, mobility departments, or travel management companies to stretch per diems or budgets for those paying for their own business travel.

**GIG ECONOMY:** “A growing portion of the population is becoming nomadic or no longer place-dependent and will contract to work wherever there is a paying assignment. “Over 20% of the workforce is piecing together short-term work and paying for their own lodging,” Buoy said. Such individuals are often value-conscious, as they are working to provide a better future for themselves and their families.

**SUPER COMMUTERS:** Enabled by advances in telecommunications, these individuals often travel more than 90 miles to and from work every week. They seek out more affordable housing like extended stay hotels that enable them to live the way they choose to live.

**PROJECT-BASED:** In recent years, hotel owners have reported dramatic growth from “project and temporary assignment travel,” according to Buoy “We’ve seen solid increases in demand from construction and health care industries.”

**SMALL- AND MIDSIZE GROWTH:** “While really large companies still play an important role, we’re seeing strong growth from the small- and medium-sized companies engaging on short-term assignments that range from three weeks to three to six months,” Buoy added.

## INDUSTRY SEGMENTS KEEN ON EXTENDED STAY

Managed business travelers most often originate from relocations, training, internships, construction companies building new residential or infrastructure projects, consulting or traveling medical professionals. Healthcare, technology, oil and gas and professional and technical services have long been key industry segments, Buoy added. More often, he said, it’s identifying and then educating new segments, not stealing market share from any hotel competitor.

“We look at our customers as being smart, self-sufficient and value conscious,” Buoy said. “They could stay in a cold and lonely apartment, or they could stay in alternative accommodations and experience incon-

sistent services and duty of care with limited amenities. Our guests could stay in full-service hotels and pay for access to restaurants, gym, spa and concierge services. But our purpose is that we care for people on the road trying to provide for a better future for themselves and their families. We take the money that they would spent on all those things and put it back into their pockets. Simply stated, ESA works for smart travelers.”

### **PARTNERING WITH MANAGED TRAVEL**

While ESA “years ago did very little when it came to managed travel programs, our expanded sales team now calls on corporations large and small to offer a highly integrated offering: negotiated rates, reporting, direct-billing, custom landing page booking portals and account support,” Buoy said.

Relationships with managed travel executives and travel management companies open the door, but “then it’s working with those accounts to help identify business that is staying more than just a few nights and identifying opportunities to add value. What makes extended stay a little unique is that typically managed travel is not the only buying decision. Getting in the door is not the final outcome; it’s working with project managers and individual travelers and those making the booking decisions.”

For those traveling to the same destination week after week, Buoy said, companies and travelers could reduce travel friction by staying in the same property and leaving luggage and belongings on weekend trips home. Prices are typically discounted by length of stay and negotiated discounts apply on top of those for corporate accounts. By remaining in the same room for the duration of an assignment, travelers avoid the hassle of packing, unpacking and stowing luggage, as well as any luggage fees.

Buoy estimates that 45% of ESA’s revenues come from business travel, which includes managed travel programs that represent approximately 15% of that total. “Over the next 14 months, we’d like to see that grow significantly but it’s really working with those accounts to identify the right fit. It’s getting

the door opened for the managed travel program and then working with the travel manager to figure out how to get our hotels to be the preferred properties” of travelers. “Our goal is not to be the biggest supplier of lodging to the travel manager, we just want to be the best. The best value and the best in working with them to service their business,” said Buoy.

### **TYPES OF MANAGED BUSINESS TRAVEL**

One such customer is Dycom Industries, which provides skilled workers to telecom service providers. “Extended stay is a huge piece of our hotel program because we have so much project work,” said Jennifer Steinke, formerly Dycom’s Corporate Travel Manager. “Dycom has travelers and/or groups of travelers who may be moving from one construction project to another. They may be there three weeks, six weeks or three months, depending on the project.” Overall, extended stay represents from 10% to 20% of Dycom’s hotel room nights, Steinke added, but for some offices, it represents 40% of their volume.

### **SEEKING COMFORTS OF HOME**

Travelers gone for such long durations “want more of the comforts of home—they do not want to eat out all the time,” Steinke said. Travelers want “nice and clean,” she added. “The fact that ESA finished all renovations of all their properties has made a big difference as travelers in the past experienced different levels of upkeep at some properties. The company, Steinke said, “wants to make sure it is delivering good value on the cost proposition ... “a good overall value proposition where travelers get a nice, clean place with the amenities they want at a cost that continues to ensure that the needs of company projects are met.”

To ensure that Dycom’s needs were met, Steinke negotiated rates across many hotel segments or scales and brands. Even so, location is critical. Project managers often identify nearby properties. When those are ESA hotels, project managers and travelers booked at the company’s negotiated rates.



# PATH TO MORE GROWTH

Along with completion of the \$1 billion renovation across its portfolio, ESA this year announced its next five-year plan for a new room prototype, as well as a franchise model to build 70 to 100 new properties to grow to more than 800 total properties by 2021. ESA officials said they expect to own/operate 70% of the hotels and franchise 30%. The new room prototype includes guest-inspired features such as “fresh, contemporary interior designs and a lobby concept with open social space, contemporary kitchens with quartz countertops, additional personal-device charging options, tables that convert from work space to dining, and a platform bed that offers additional storage for luggage or personal items.

Travel managers said they welcomed the renovations and more consistent product across the brand. However, they noted that the onus will be on ESA to maintain consistency as they franchise.

“Over the last six years as it transformed the business,” Buoy said, ESA “invested heavily in kai, a quality-based program to re-engineer processes to make sure they are efficient and provide consistent levels of outcome or service. We spend a significant amount of time and money training GMs” and certifying them as ESA GMs. “Obviously we will have brand standards which a franchisee will have to maintain to make sure that their hotel is a great member of our family.” In addition, the parent company offers opportunities to continue to operate franchised properties on behalf of the franchisee.

Balancing service and price also is key for Fastaff Travel Nursing, a rapid-response travel nursing company that provides nurses for weeks at a time to hospitals in need of skilled workers due to health outbreaks, strikes or other reasons. Most of its travel involves “eight- to 13-week assignments,” according to Danny Pruett, Director of Housing, Travel and Facilities for the Colorado-based firm. “Extended Stay America is one of our options, if not the go to-option for our travelers, primarily due to

their price point and amenities that they’re offering. When we’re sending nurses out for weeks, we like to offer them the ability to cook on their own, not eat out every meal and make them feel a little like home.”

Fastaff offers nurses the option of having the company book the room, with the room and tax direct-billed to the company, or a housing stipend to book their own housing. “We prefer our employees to take the stipend—that way employees are happier with selections and there are fewer complaints,” he added. “From 85% to 90% of our hotel spend is extended stay. The only time we’re not using extended stay is when it’s a rural location and there isn’t an extended stay option.”

Location and proximity to hospitals are key factors as the company tries to book rooms within 5 to 10 miles of a hospital, Pruett said. In rural areas, the only hotel options might be economy hotels, or in rare instances, the company must rent apartments, but then must deal not only with rental contracts, but arrange furniture deliveries for the temporary quarters, he added.

## INDIVIDUAL CHOICES

While BCD Travel hasn’t noted an increase in managed travel requests for extended stay options, it is “seeing more use of it,” according to Kim Kearns, Senior Director, Global Hotel Relations, for BCD Travel. “It’s not that the client is actually saying ‘in addition to our typical hotels, we need those that have longer length of stay.’ It’s that longer length of stay are being used—just because that’s what the business needs required.”

## AVOIDING ‘POUND PACKING’

For some travelers, healthy eating options is a growing concern. Marcey Rader, author of the Save Travel Expert blog for ESA, noted that 86% of travelers surveyed by the company said they gained an average of 3 pounds while traveling for two weeks. Why? Limited access to healthy options and meals of fast food. “Avoid pound packing,” Rader said.



“Choose hotels with fully-equipped kitchens and a full-size fridge so you can store your own healthy groceries. She also recommends that travelers “squeeze in mini-workouts” throughout the workday and “get a full body workout in hotel rooms” with yoga, bands or standard routines that don’t require equipment.

For the “gig-economy” workers, the choice is often about value, Buoy said. Often, such travelers get a per diem or flat sum for housing, along with a list of hotel recommendations. “There is more value with extended stay than other offerings,” he said, especially when such travelers can cook their own meals rather than eat out.

#### WHAT DISTINGUISHES EXTENDED STAY?

Extended stay properties, by industry definition, have a kitchen or kitchenette and weekly rates. As part of a \$1 billion, five-year renovation of all its properties, Extended Stay America consolidated multiple brand names to one and updated all to include fully-equipped kitchens, full-size refrigerator, stovetop, cooking utensils, dishes, silverware

and even an “Away from Home Cooking” cookbook, along with free Wi-Fi, large-screen televisions and workspace. Studying how guests and staff use the properties, the company developed prototypes for the next generation of properties that also includes larger common areas, double-queen room layouts, more storage, free in-room Wi-Fi, more charging outlets and grab-and-go breakfast. In October, ESA unveiled its first redesigned hotel in East Providence, Rhode Island.

For other traditional transient businesses, the average length of stay is 2.4 nights, Buoy said. “Our average length of stay is 25 nights. “As a result, we develop deep relationships with our guests. We have an opportunity to develop lasting relationships with our guests when they’re on the road and return to properties.” More than 70% of the brand’s guests stay five nights or longer and 42% stay longer than a month. While ESA has no minimum length of stay, Buoy said, the company is “focused on increasing distribution to present itself as an alternative to those who are staying one to four nights in a location.”

Produced by:

**BTNGROUP**  
CONTENT SOLUTIONS

**Mary Ann McNulty**

Director, Content Solutions  
mmcnulty@thebtngroup.com

**Louis Magliaro**

Senior Vice President &  
Group Publisher  
lmagliaro@thebtngroup.com

**Anthony Carnevale**

Publisher  
acarnevale@thebtngroup.com

**Mariza Moreira**

Group Design Manager

About Extended Stay America



Extended Stay America, Inc., the largest owner/operator of company-branded hotels in North America, owns and operates 625 hotels and over 68,000 rooms in North America and employs over 8,000 employees at its hotel properties and headquarters. The company’s core brand, Extended Stay America®, serves the mid-priced extended stay segment. Visit [ESA.com](http://ESA.com) for more information about the company and its services.

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