

# Hotel/Motel Market Analysis

Developing a business plan for an existing business or conducting a feasibility study for a new venture requires a thorough analysis of market conditions. Market conditions in your area have a significant impact on the profitability of your hotel or motel. The strength of the local lodging market affects how many rooms you can sell and the rates that you can charge. This guidebook will help you analyze your market so that you can gauge the potential of your operation and make more informed operating and investment decisions.

On the pages that follow are a series of checklists to help you collect and analyze information as part of a hotel/motel market analysis. The checklists, tailored to the hotel/motel industry, will serve as a learning tool to help you understand the many market factors that impact your profitability. Information collected in your analysis is then used to predict future occupancy levels and rates.

## Types of Questions Answered

Your market analysis will help you answer questions such as:

- What trends are occurring in the lodging industry?
- Are local economic and visitation trends favorable?
- Who are my competitors and how successful are they?
- What are the potential lodging market segments in the area?
- What occupancy and average room rate could I achieve?

## Applications

The guidebook is designed to provide you with an industry-specific market analysis format that can be used in a feasibility study, business plan or marketing plan. It can be used to analyze the market potential of an existing property, a property expansion or a new development.

Existing operators can use a market analysis to identify opportunities to improve sales. The analysis can provide valuable information on market conditions to help in forecasting and budgeting. It also provides a foundation for an effective marketing plan.

Prospective operators can use a market analysis to project sales volume for a new lodging venture. The analysis can provide essential information required in a business plan or feasibility study. The risks of a business investment are lessened by careful analysis of the market.

Using your market analysis findings, you can estimate the financial potential of your venture by creating financial projections. Guidebooks and software for developing hotel and motel financial projections are available through University of Wisconsin-Extension Center for Community Economic Development.

## Conducting Your Analysis

The sections that follow include data collection checklists and worksheets. While the section on projecting occupancy and average room rate should be the final step, the other sections can be

### Market Analysis Components

- Industry Trends
- Location and Facility
- Area Characteristics
- Competition
- Knowing Your Customer
- Projecting Sales