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Trends in the Lodging Industry: The Future and the Present

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Editor's Note...

Trends in the Lodging Industry: The Future and the Present

Can you imagine yourself in the year 2020 staying in a high-tech hotel room that is smart enough to anticipate your needs even before you can press any switches or buttons? How about driving to your hotel in a self-propelled hydrogen fueled automobile, checking into a room equipped with state-of-the-art wall-integrated microcomputer chips taking care of all your needs—a room with a sophisticated security system and clean filtered environment for good health? The probability of such a future is extremely high, according to experts at Philips Electronics NV and a recent article in the *Wall Street Journal Europe* (January 24, 2003). Looking back at the progress in our lodging industry since the "room and bath for a dollar and a half" era of early 20th century, such a future does not seem unrealistic. However, when we realize that we are not even 18 years away from the year 2020, a future as nice as this seems a bit too rushed. Such an expectation stems from two issues.

First, it would be more appropriate to talk of prosperity if our industry trends were sound and healthy. The performance of the travel industry as well as the lodging sector is not at its best at this time. Business in the travel and lodging sectors came to a sudden halt after the recession in equity markets and terrorism problems of 2001. Per a recent report of Smith Travel Research, the U.S. lodging industry occupancy for 2002 was 59.2% (down 1% vis-a-vis 2001). Average room rate declined 1.5% and RevPAR declined to $49.20 (down 2.5% vis-a-vis 2001). According to Mark Lamanno, president of Smith Travel Research, hotel operators experienced "another challenging year" in 2002. It is logical to assume that an industry that is not going through healthy times today will take a little longer to repair the damages it has experienced and to get back on course again.

The second issue relates to economic and political stability. In the past, prosperity always came along with economic as well as political stability. The current political turmoil on a global scale doesn't seem to work in favor of the rapid growth hypothesis of the *Wall Street Journal*. Travel trends in the U.S. are seriously influenced by per capita disposable income and oil prices. The current trend of high unemployment rates enhances the likelihood of possible decline in per capita disposable income. Also, the current trend of global political instability, rifts within the United Nations and NATO on issues related to Iraq and North Korea, as well as talks of another war in the Middle East enhance the likelihood of rise in oil prices. Such a trend could also result in less air travel. Given such a scenario, the recent projections made by Smith Travel Research seem cautious but realistic—"assuming moderate economic growth, no major terrorist attacks on U.S. soil and a relatively quick resolution in the Middle East," we should expect continued improvement of the U.S. lodging industry fundamentals.

Given the steady technological progress that we have witnessed toward the end of the 20th century, one should not doubt the projections about our sophisticated future sketched by *Wall Street Journal* prognosticators. However, can all this change happen by 2020? There is no harm in wishing and hoping for the best. Only time will tell what it has in store for us!