

Bed and Breakfasts

Prepared by Peter C. Morales
SBDCNet San Antonio 10.06.04



SIC Code(s) Covered: 7011

NAICS Code(s) Covered: 721191

Bed and breakfasts are a niche segment of the travel industry. As part of this industry, bed and breakfasts are identified as a private residence that provides a room and a breakfast. While the terms "B&Bs" and "inns" are often used interchangeably, the Professional Association of Innkeepers International (PAII) differentiates between the two in that the former offers only breakfasts, while the latter may also offer lunch and dinner. The two most important factors of bed and breakfasts are their uniqueness and sense of social environment. Highlights of the Eighth Biennial Bed-and-Breakfast & Country Inns PAII Industry Study of Operations, Marketing, and Finance for 2002 show the following:

- Average number of rooms for bed and breakfasts is 8.5, up from 8 rooms in 2000
- 95% of respondents offer rooms with private baths
- 93% - 94% of inns/bed and breakfasts are non-smoking
- Responding inns employ 4.6 people
- 42% of bed and breakfasts have meeting rooms

Size of Business

Most bed & breakfasts are operated by a family and thus have no employees. For this reason, limited data is available through the US Census. County Business Patterns report data on establishments with paid employees only. According to the US Census Bureau County Business Patterns, there were 3,042 bed & breakfast inns with paid employees (721191). These bed & breakfasts employed 19,665 employees in 2001 in the United States. According to a survey conducted by the PAII there were some 20,000 licensed inns in the United States in 2004.

Advertising

As bed and breakfasts are shifting their attention to the business traveler, so to have they have shifted the focus of their advertising to a more visible Web presence. Ray Coll, President of the Pittsburgh Bed & Breakfast Association states in an article published in the Pittsburgh Business Times that about 80 percent of business travelers find out about inns online. This is in keeping with a survey published in 2001 by CNNMoney online and conducted by B&B Getaways. The survey asked how guests find out about bed and breakfasts and reported the following results:

- 49% Internet
- 18% Word of mouth
- 6% Print advertising and travel guides

The survey also found that one-third of bed and breakfasts charge more than \$125 a night.

Characteristics of Bed and Breakfast Operators

One common characteristic of bed and breakfast operators is that the motivation for starting a bed and breakfast is their love of people. Another trait operators share is that most do not rely solely on the bed and breakfast as the primary source of income. A PAll survey revealed a national trend that 55% of owners surveyed depend on additional outside income.

Impact of 9/11

Among the many industries impacted by 9/11, the travel industry was probably the most affected. The subsequent economic recession further hampered the industry as there was a sharp decline in the number of people traveling. Interestingly enough, however, PAll reports that while most hotels suffered a 7% decline in occupancy, bed and breakfasts only saw a decline of 4%. Despite the drop in demand, there was an increase in the average daily rate paid by guests that had a net result of 2.8% growth in total revenues.

The Business Traveler

Traditionally, bed and breakfasts were seen as the perfect place for the weekend-getaway; however, this only accounted in occupancy for three nights of the week. With business travelers accounting for 52% of the lodging industry, bed and breakfasts are shifting their attention to these weekday travelers, adding amenities such as in-room data ports, high-speed Internet connections, DVD, and many other trappings sought by business travelers. More and more, bed and breakfasts are adding meeting room space to their facilities. Use of these facilities is often complimentary as bed and breakfasts are becoming preferred locations for retreats. A recent survey conducted by PAll found 42% of 800 respondents had meeting room space in 2002, compared to 28% in 2000.

Bed and Breakfasts w/Meeting Rooms

<i>2000</i>	<i>2002</i>
28%	42%

Rural v. Urban Bed and Breakfasts

Rural bed and breakfasts get most of their business on the weekends and in the vacation season of April through September. Oftentimes the rural B&Bs serve as a weekend getaway. There are also rural B&Bs that are situated on wineries or operating ranches where guests may have access to wine tasting or offered horse rides. In addition, bed and breakfasts often partner with nearby attractions to offer vacation packages.

In comparison, urban locales may be fully operational year round. A comparable advantage for urban B&Bs is partnering with local chambers of commerce and companies to offer meeting room space. As shown above, the number of B&Bs offering meeting rooms is growing and to meet business peoples' needs, may offer videoconferencing capacity.

Considerations

While there is no specific governing body regulating the bed and breakfast industry, they are often required to comply with federal, state, and local regulations. Of particular consideration are zoning regulations and local health and building codes. Additionally, as many of these bed and breakfasts are located in historic areas and buildings, it would behoove the operator to inquire with local historical associations on the significance of the property.

Related Reading:

Professional Association of Innkeepers International. <http://www.paii.org/>.

Rogak, Lisa Angoski. The Upstart Guide to Owning and Managing A Bed & Breakfast. Upstart Publishing Company, Inc.; Chicago, IL, 1996.

Sources:

"2004 Lodging Industry Profile." American Hotel and Lodging Association. http://www.ahla.com/products_info_center_lip.asp. Accessed online on September 18, 2004.

Anderson, Mark. "Tiny bed-and-breakfasts take a rural whirl." *Sacramento Business Journal*, March 7, 2003. Accessed online on September 15, 2004.

"B&B Industry Facts & Figures: Statistics and Historical/Economic Overview." Bed and Breakfast Inns Press FAQ from BedandBreakfast.com. <http://www.bedandbreakfast.com/about/pressFAQ.aspx>. Accessed online on September 14, 2004.

"County Business Patterns, 2001." U.S. Department of Commerce, Bureau of the Census. Accessed online on September 13, 2004.

"Getting started: B&B biz." *CNNMoney*. Online Edition, May 14, 2001. http://money.cnn.com/2001/05/14/sbstarting/g_bandb/. Accessed online September 14, 2004.

Ghose, Gaurav. "Area bed-and-breakfast enjoy under-the-radar recovery." *Boston Business Journal*, August 13, 2004. Accessed online on September 15, 2004.

Glover, Lynne. "Bed-and-breakfast work to attract business travelers." *Pittsburgh Business Times*, October 31, 2003. Accessed online on September 15, 2004.

"How to run a B&B." *New YorkTimes*, National Edition, July 11, 2004. Online Edition. Gale Group, 2004. Reproduced in RDS Business and Industry. Accessed online September 16, 2004.

Koss-Feder, Laura. "Inn vogue: For many adventurous vacationers, the urban bed-and-breakfast is the perfect stay." *Time*, November 3, 2003 v162 i18 pG1. Online Edition. The Gale Group, Inc., 2004. Reproduced in Business and Company Resource Center. Accessed online on September 16, 2004.

Lowe, Chelsea. "Bed-and-breakfasts scrambling to compete for lodgers." *Boston Business Journal*, August 22, 2003. Accessed online on September 15, 2004.

Pruitt, Lori. "Home away from home." *Birmingham Business Journal*, January 9, 2004. Accessed online on September 15, 2004.

Smith, Edward L. & Smith, Ann K. "Business Management and Marketing: Bed and Breakfast." Michigan State University Extension. <http://www.msue.msu.edu/msue/imp/modtd/33420037.html>. Accessed online on September 14, 2004.

Woods, Gretchen. "Plenty of room at the inns, Bed & breakfasts pop up in area, gain following." *Crain's Cleveland Business*, March 8, 2004, v25 p17. Online Edition. The Gale Group, Inc., 2004. Reproduced in Business and Company Resource Center. Accessed online on September 16, 2004.

This material is based upon work supported by the U.S. Small Business Administration. Any opinions, findings, conclusions or recommendations are those of SBDCNet and do not necessarily reflect the views of the U.S. SBA. This U.S. Small Business Administration (SBA) Grant is funded by the SBA. SBA's funding is not an endorsement of any products, opinions, or services. All SBA funded programs are extended to the public on a non-discriminatory basis.