

# Staying Power: Corporate Travel Activity Continues to Rise

By Nathan Cloutman

An increase in corporate travel activity is supporting serviced apartment operators, despite intensifying competition from Airbnb.

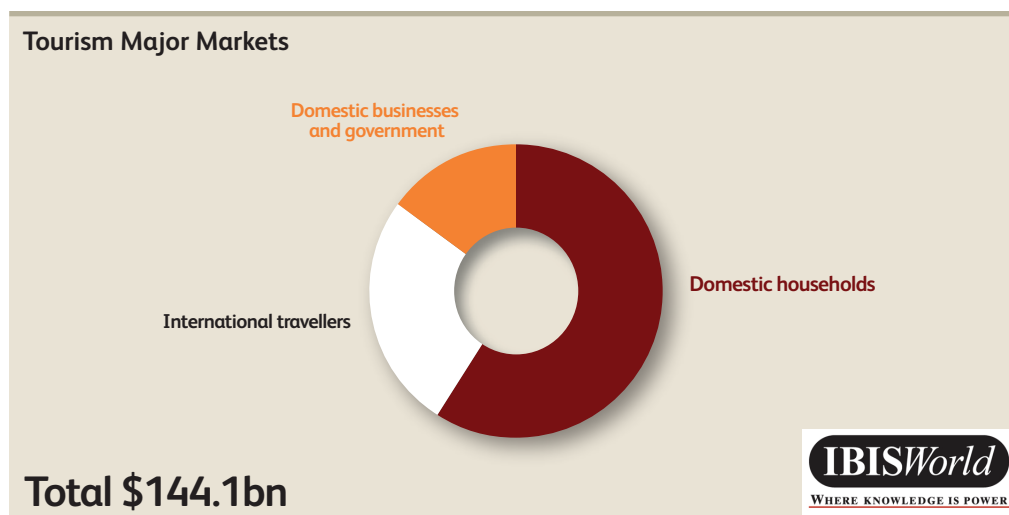
The number of domestic business tourist nights has more than doubled over the past decade

Tourism Research Australia (TRA) recently released its latest national visitor survey results, highlighting tourism trends for the year ended June 2019. The data shows that the Tourism industry is still benefiting from an increase in domestic tourism activity. The number of domestic overnight visitors increased by 11.7% in 2018-19, to 113.3 million. Expenditure by local tourists on overnight trips increased by 14.7% over the same period to reach \$77.5 billion.

TRA expects domestic expenditure and the number of domestic overnight visitors to also rise in 2019-20, supporting the many tourism companies in Australia. The Tourism industry's revenue is expected to

rise by 2.0% in 2019-20, to \$144.1 billion. However, a decline in discretionary income in the current year, driven by low wage growth and increases in household expenses such as electricity and healthcare, is anticipated to limit domestic tourism activity.

The rise of corporate travel represents a key driver of the growth in domestic tourism activity. According to the latest TRA statistics, the number of domestic business tourist nights has more than doubled over the decade through 2019-20, to total 89.4 million nights. The rise in the number of businesses in Australia and largely positive business confidence over



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the period have supported the rise of business tourism. In addition, the decline in the domestic price of business airfares since 2016-17 has also stimulated interstate corporate travel. Domestic businesses and government account for a small proportion of the Tourism industry's revenue. However, these markets have risen as a share of industry revenue over the past five years, to reach an expected 14.9% of revenue in 2019-20.

Domestic business travellers are a more significant market for the Serviced Apartments industry, and are anticipated to account for 26.8% of industry revenue in 2019-20. Corporate travellers often stay in serviced apartments when completing projects in different cities or relocating for work purposes. Many serviced apartment operators, such as Quest Apartment Hotels, specifically target corporate travellers. Maintaining relationships with corporate clients often ensures these firms a steady stream of revenue through repeat business. Domestic business visitors tend to spend more than domestic tourists, particularly on items such as food and beverages, making them a more lucrative market for operators. Serviced apartments typically market their rooms to corporate clients by highlighting their advantages, such as spaciousness, kitchen amenities and greater privacy, over other forms of accommodation.

The increase in demand for serviced apartments from corporate travellers, combined with rises in demand from domestic leisure tourists and inbound travellers, has supported the Serviced Apartments industry over the past five

years. Industry revenue is expected to grow at an annualised 2.6% over the five years through 2019-20, to \$4.6 billion. This trend includes anticipated growth of 1.1% in the current year.

Airbnb's ongoing expansion into the accommodation sector has spurred rising concerns from traditional accommodation operators. Airbnb has significantly increased the supply of accommodation options available to tourists in the country. Price competition has therefore increased, negatively affecting the profit margins of many accommodation operators over the past five years. Properties listed on Airbnb are often cheaper than serviced apartments, and offer greater privacy and independence. Rising demand for accommodation listed on Airbnb is taking demand away from industry operators.

Airbnb is increasingly entering into the business, luxury and regional tourism markets. For example, the Airbnb Luxe platform offers a range of high-end villas, resorts and beach houses for guests seeking a luxury experience. While competition from Airbnb has had a smaller effect on luxury serviced apartment operators in Australia over the past five years, the development of Airbnb Luxe will likely pressure on these players. Additionally, the Airbnb for Work platform is increasingly taking demand away from industry firms that service corporate clients.

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