The forever evolving U.S. hotel industry

hotelmanagement.net/150/forever-evolving-us-hotel-industry

By Daniel Lesser Oct 1, 2025 8:00am October 1, 2025

Consumer interest in personal wellness and environmental awareness has led to a rise in sustainable hotels and wellness-focused offerings. (The Vinoy Resort and Golf Club Autograph Collection)

During my more than 45-year career, the advancement of technology has fundamentally transformed global society by enabling instant communication, revolutionizing business through digital tools, and enhancing daily life with benefits such as remote work and online shopping. From early inventions such as the wheel and printing press to modern innovations such as artificial intelligence and smartphones, technology has propelled human progress, increased productivity and connected people worldwide. What we take for granted today was just a dream of science fiction not that long ago.

Daniel Lesser (LW Hospitality Advisors)

Notable Revolutions and Innovations

Notable revolutions and innovations during the past 45 years include:

Personal computer: The 1979 publication of VisiCalc ("visible calculator"), the first spreadsheet program originally released for the Apple II, turned early generation personal computing into a cutting-edge business tool. VisiCalc allowed one to easily construct free-form calculation systems for practically any purpose, the limitations being primarily related to the memory and speed of the computer.

Global connectivity and communication: Smartphones, the internet, and social media have made instant global communication a reality, shrinking distances and fostering connections.

Information access: The internet provides unprecedented access to information, supporting education, research, and an informed populace.

Business and work: Due to factors that include increased computational power, the development of cloud computing, artificial intelligence and automation have reshaped business operations, increased productivity, and enabled remote work. The pace of technological change is accelerating exponentially, which in turn is, at an unprecedented rate transforming economies, societies, and daily life. This rapid progression creates both opportunities and challenges, such as the need for continuous training of professionals, new business models, and evolving societal structures to keep up with advancements.

Innovation in the lodging sector can be traced back to the early 1900’s with the founding of Statler Hotels and Hilton Hotels which catered to traveling businessmen and tourists. Further advancement in the lodging industry occurred in 1925 with the creation of the first motel (also known as a motor hotel, motor inn or motor lodge), namely the Milestone Mo-Tel in San Luis Obispo, Calif.

The Federal-Aid Highway Act of 1956 authorized the establishment and development of the U.S. Interstate Highway System which led to the golden age of motels and spurred the development of national chains such as Holiday Inn, Howard Johnson's Motor Lodge and the Marriott Motor Hotel Twin Bridges. The post-World War II era was the beginning of franchising branded lodging facilities offering consistent standards in design, amenities and services to provide travelers with a predictable and familiar guest experience.

The Evolution

The U.S. lodging industry has undergone significant evolution during the past 45 years, the highlights include:

1980s

Quality Inns, now a subsidiary of Choice Hotels International, Inc. pioneered the development of the innovative strategy of market segmentation by dividing its lodging system into three distinctive chains across price points, namely: Quality Royale, the most upscale brand in the system; Quality Inn, for the moderately-priced guest; and Comfort Inn, at the time a new budget franchise aimed at cost-conscious travelers.

The growth in business and leisure travel spurred demand for lodging options leading major chains to develop brands such as Holiday Inn launching trade names such as Crowne Plaza (upscale) and Hampton Inn (budget), while Marriott Corp. founded the mid-priced select-service brand Courtyard by Marriott and the upscale/luxury label J.W. Marriott.

Although the extended-stay hotel concept originated during the mid-1970s with the founding of Residence Inns, the brand was acquired by Marriott in 1988 and shortly thereafter the labels Summerfield Hotels and Homewood Suites were created.

Advancement in technology led to the introduction of computerized revenue management systems, a precursor to modern dynamic pricing and online booking platforms.

1990s

The decade began with a challenging economic recession that placed negative pressure on room rates and slowed construction. By the mid-1990s, the industry was recovering, with operators focusing on cost-cutting measures and conversions of independent hotels to branded properties rather than new builds.

Consolidation of the fragmented hotel industry evolved through mergers and acquisitions which led to a boom in brand proliferation as large corporations including Hilton, Marriott and Intercontinental Hotels Group acquired smaller chains to grow their portfolios.

Large hotel companies increasingly moved away from real estate ownership to focus on asset-light business models centered on franchising their brand identities and in many cases day-to-day management, which allowed for rapid expansion without the capital investment required to develop hotel properties.

Further technological advancements including introduction of the internet resulted in development of the first hotel websites and the emergence of sophisticated reservation systems and online booking platforms. Additionally, the sector began to leverage computer systems for forecasting, reservation management, and front-desk functions, improving efficiency and profitability. The creation of the Wireless Ethernet Compatibility Alliance laid the groundwork for Wi-Fi, which would soon become a standard guest amenity.

The evolution of airline frequent flyer programs which originated during the 1980s led to the development of hotel loyalty platforms as chains including Marriott and Hilton introduced their own point-based programs, which allowed for the mining of guest data and the offering of rewards and status tiers to incentivize frequent stays.

As the U.S. market matured, large American hotel chains leveraged brand recognition to expand into international markets.

2000s

During the beginning of the decade, the lodging industry grappled with geopolitical events including war and the economic downturn following the September 11, 2001, terrorist attacks. The event caused an immediate and significant decline in travel, particularly in the United States, and for the hotel industry resulted in a significant decline in occupancy rates, revenue per available room, and new construction. The shock led to a greater focus on risk management, safety and security measures in hotels.

Widespread adoption of the internet led to:

- A boom in online travel agencies with the emergence of major booking channels including Expedia, Travelocity, Priceline, Orbitz and Kayak. Many hotel companies initially perceived OTAs as a platform to easily sell inventory, however, quickly came to realize that control of direct guest connectivity had been sacrificed. The sector came to understand that it had been misguided, which led to the commencement of a tug of war for control of guests between hotel companies and OTAs that still endures today, and

- An era of "rate transparency," where consumers could easily compare prices across different hotel offerings. In response, hotels adopted more sophisticated revenue management systems utilizing algorithms to predict demand and adjust prices dynamically, moving beyond just managing inventory to setting the prices themselves.

Choice Hotels International pioneered the soft brand in 2008 with its Ascend Hotel Collection which was initially created to aid independent hotels struggling during the recession. The introduction of soft brands allowed independent, boutique, and historic hotels to leverage large well known hotel company distribution channels and loyalty programs while retaining their unique identity. During the 2010’s the soft brand concept became a widespread industry trend which accelerated the launch of new "collections" by most major hotel companies.

The 2008 Global Financial Crisis was a period of intense financial stress and a global banking crisis which was triggered by the bursting of a housing bubble that was fueled by excessive issuance of subprime mortgages. Through interconnected financial systems the crisis spread globally resulting in the collapse of several major financial institutions including Lehman Brothers and Bear Stearns. This economic downturn led to widespread recessions and massive job losses, and ultimately had a larger and more gradual impact on the hotel industry than did the events of 9/11.

2010s

Driven by economic expansion and low unemployment following the GFC, the U.S. lodging industry experienced steady growth with occupancy levels and average daily rate consistently increasing throughout the decade.

Airbnb became significantly competitive with the hotel industry as its existence began to show measurable impact on sector revenues and profits. Although originally founded in 2008, the hotel industry initially dismissed Airbnb and the "sharing economy" phenomenon, however by the middle of the decade, fueled by rapid growth and increasing supply, short-and-long-term homestays became significantly competitive with the hotel sector.

Marriott International's $13.6 billion acquisition of Starwood Hotels & Resorts in 2016 created the world's largest hotel company at the time. The combined entity resulted in a massive global footprint and a diverse portfolio of brands covering most chain scales. The merged platform led to the consolidation of the two companies' loyalty programs into one comprehensive platform, namely Marriott Bonvoy, which with roughly 230 million members today is the largest frequent stay program in the industry.

The growing market dominance of OTAs allowed them to negotiate higher commission rates for bookings, often ranging from 10 percent to 25 percent. Furthermore, consumers began to perceive the best room rate opportunities were found on OTAs, leading to a significant decrease in direct bookings for hotels. The sector attempted to fight back by combining forces to found a technology company known as RoomKey.

A joint venture between Choice Hotels International, Hilton Worldwide, Hyatt Hotels Corporation, InterContinental Hotels Group, Marriott International and Wyndham Worldwide, the investment thesis of RoomKey was to create an online hotel metasearch engine to provide a direct booking channel with more transparency and choice for consumers. For several reasons, RoomKey was a colossal failure and became a poster child of the hotel industry's struggle to challenge the dominance of third-party OTAs.

Advancements in smartphones and 24/7 access to social media led to new travel trends including mobile bookings and "Instagrammable" travel, where guests selected hotels based on their visual appeal. The rise of influencers and photo-sharing apps drove new marketing strategies and inspired travel decisions for many consumers. Additionally, as big data became more accessible, hotels began to offer more personalized services and targeted marketing to guests. Finally, increased reliance on technology led to significant data security risks and the hotel industry has and continues today to experience increased levels of data breaches and cybersecurity challenges.

Younger generations, particularly millennials, began to express a preference for unique and meaningful experiences over traditional hospitality offerings which fueled growth of non-traditional or alternative lodging properties including hostels and glamping. Furthermore, growing consumer interest in personal wellness and environmental awareness led to a rise in sustainable hotels and wellness-focused offerings.

The first half of the 2020s

The global pandemic, which commenced during the first half of 2020, was disastrous for the lodging industry with effects far worse than any prior black swan event. U.S. hotels lost over $111 billion in room revenue during 2020 and 2021 resulting in widespread job losses within the sector workforce.

Following the initial shock, the industry began a gradual, multi-faceted recovery led by strong drive to leisure demand. Although the rebound in corporate and group travel demand initially lagged significantly, permanent shifts in business practices including hybrid work endure, and national hotel top line metrics today are once again healthy.

The post pandemic recovery has been uneven across different hotel tiers as the luxury and upscale segments have performed strongly, driven in part to increased spending by high-net-worth individuals. Conversely economy properties have experienced slower growth as the middle and working class are challenged with escalating cost of living.

As more professionals work remotely a new segment of travelers who combine business and leisure trips has evolved and referred to as “bleisure” demand. The extended-stay segment has outperformed, proving resilient and popular due to lower operational costs and strong demand.

The industry continues to grapple with severe staffing shortages as many U.S. hotels struggle to fill positions, leading to changes to operational practices and innovations including automated services.

To rebuild intimate relationships with guests the lodging industry continues to seek ways to mitigate dependence on OTAs and drive increased direct digital bookings. Many believe that by the end of this decade, direct digital bookings will be the dominant distribution channel for hoteliers.

During 2025, guest spending in the U.S. hotel industry is projected to reach a record high of nearly $780 billion.

Outlook

The outlook for the future will invariably be fluid as life is, and most likely always will be uncertain. During my lifetime, I recall many times of great uncertainty, including but not limited to the 1962 Cuban Missile Crisis, the 1970s energy crisis, the Stock Market Crash of 1987, the 1990 Gulf War, the September 11 attacks, the Second Gulf War, the GFC and the global COVID-19 pandemic.

The fact is we have always, and most likely will continue to live in uncertain times with periodic "Oh my G-D it's the end of the world" shocks. History proves the U.S. economy to be resilient, and the world survives uncertainty and generally comes out ahead on the other side of crisis after crisis.

While U.S. hotel fundamentals may be challenged in the short-term, longer-term patient capital that seizes acquisition opportunities at the right basis and that offer good locations with diverse demand drivers, will realize healthy returns. Perhaps the real “silver lining” amidst todays cloudy skies are the rewards for those who remain calm in times of panic.

Articles authored by Daniel Lesser and published by Hotel & Motel Management include:

- *High Occupancy Rate Doesn't Always Mean High Profits - February 1984*
- *Why Choice Lodging Markets Quickly Become Overbuilt - April 1984*
- *Forecasting Potential Lodging Business: How To Do It - June 1984*
- *Right Management Co. Can Enrich Your Profit Potential - August 1984*
- *Observers Forecast Upturn In Occupancy - June 1992*
- *The Future Of Franchising - August 1992*

About the author: *Daniel Lesser is the co-founder, president and CEO of LW Hospitality Advisors and has nearly 45 years of specialized experience in hospitality. He is also a co-founder and managing partner of Lodging Analytics Research & Consulting, focusing on highly correlated predictive analytics for the lodging industry.*

This article was originally published in the October edition of Hotel Management magazine. .