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# The University of Georgia

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**Center for Agribusiness and Economic Development**

**College of Agricultural and Environmental Sciences**

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## **2007 Bed and Breakfast Inn Market Analysis**

**Center Report**

**CR-07-19**

**August, 2007**

**DRAFT**

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## **2007 Bed and Breakfast Inn Market Analysis**

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#### *Tourism Overview*

People are traveling more, traveling shorter distances, using their automobiles and looking for new experiences to share with their families. Georgia's agritourism and nature based, historical and heritage tourism have benefitted from these travel trends across the U.S. and in Georgia.

For example, nationally, agritourism has grown an estimated 30% annually over the last decade and this growth is expected to continue in 2007. The growth in agritourism has significantly outpaced tourism travel in general which has increased 2.8% annually over the same time period. In Georgia, agritourism alone has grown 35% from 2003 to 2006 and an 16% from 2005 to 2006.

The 2006 Farm Gate Report estimates that agritourism and nature-based tourism generated \$78 million dollars, up significantly from an estimated \$72.3 in 2005. Overall, agritourism and nature-based tourism has grown 24% from 2003 to 2006. This figure does not include hunting lease revenue figures. Thomas County has the highest level of agritourism and nature-based tourism based on its farm gate value of \$14.5 million dollars.

Agritourism and nature-based, historical and heritage tourism does not rely on business travel, but on leisure travelers and school field trips.

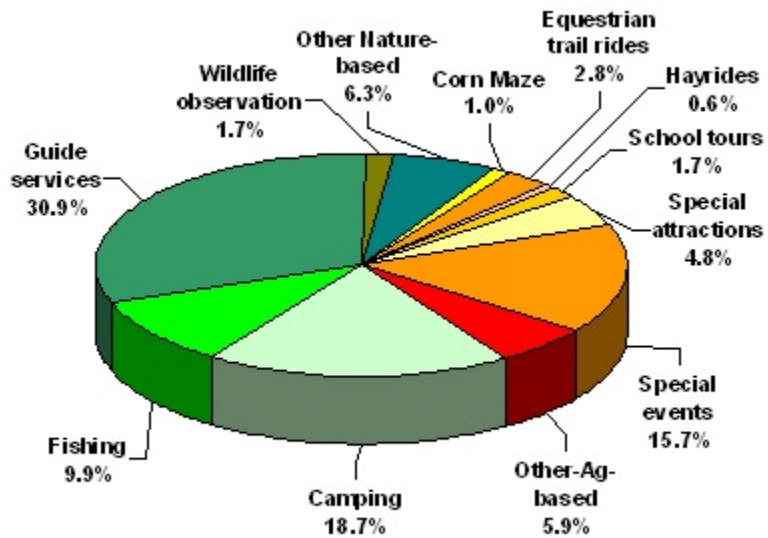
#### **Leisure Travelers**

Since September 11<sup>th</sup>, 2001 leisure travel has rebounded faster than business travel. According to The State of the American Traveler, Americans are expected to take more trips and spend more money on their leisure travels in 2007. Another important factor benefitting Georgia's agritourism and nature-based tourism businesses is that leisure travelers generally travel by automobile, providing them easy access to the many attractions across the state.

Given that fuel prices are projected to remain stable throughout 2007, leisure travelers should resume their travel patterns and take an average of 5.5 trips per annum.

These conditions provide significant opportunities for Georgia's agritourism and nature based, historical and heritage tourism operators who will benefit from the increase in leisure travel as people travel to participate in outdoor activities. Leisure travelers are likely to participate in hiking, fishing, camping, birdwatching, horseback riding, mountain biking, canoeing and kayaking and other nature based activities as well as visiting historical and heritage attractions. Georgia is poised to take advantage of travelers wanting to experience outdoor activities.

Figure 1. 2006 Ag-based & Nature-based Tourism Farm Gate Value = \$78 million



There are four primary factors that will impact agritourism and nature-based tourism in Georgia in 2007.

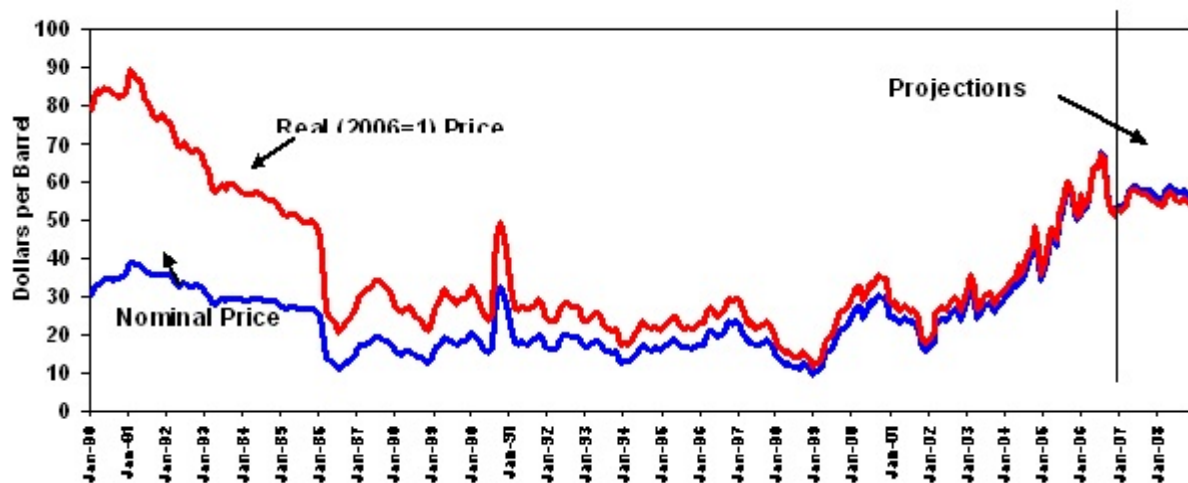
## Situational Analysis

### *Fuel Prices*

Fuel prices have the potential to significantly impact Georgia's agritourism operations in 2007, since many agritourism and nature-based operations rely on elementary school field trips and leisure traveler to support their business. Both of these markets can be sensitive to significant changes in motor fuel prices. The significant spike in gas prices in the summer of 2006 resulted in both elementary schools and leisure travelers re-evaluating their travel plans.

Figure 2. Regular Gas Prices- Real and Nominal  
Source: Energy Information Agency

Leisure travelers are also impacted by motor fuel prices and took fewer trips as a result of increased fuel costs. This is significant in that nearly 90 percent of leisure travelers used their



automobile for a trip in 2006. The Energy Information Agency (AIE) is predicting that motor fuel consumption will increase in the U.S. while the Organization of Petroleum Exporting Countries (OPEC) has implemented a production reduction aimed at maintaining high crude oil prices. The relatively mild winter has damped the demand for oil leading to falling prices. The AIE is predicting that crude oil prices will average \$65 per barrel in 2007, down from \$66 per barrel in 2006.

The increase in fuel prices may have an unanticipated positive effect on Georgia agritourism and nature-based tourism in that travelers are seeking attractions closer to home. This is significant in that Georgian's may visit agritourism and nature-based tourism activities located in the state instead of traveling to attractions in the surrounding states.

#### *Population Growth*

Georgia has experienced significant population growth over the past decade and this growth is expected to continue. Georgia was recently named as one of the top 10 fastest growing states by the Census Bureau. Georgia's population is expected to grown 46% from 2000 to 2030. The growth in population will positively impact Georgia's Agritourism and nature-based tourism activities while creating additional opportunities for both existing and new operators as new arrivals explore Georgia.

#### *Income Growth*

The U.S. economic growth is predicted to continue its expansion in 2007 but at a slightly lower level than observed in 2006. Georgia is benefitting from the national growth by the creation of new jobs and increasing state gross domestic product. These factors have contributed positively to Georgia's economic activity resulting in Georgia's disposable income growth to outpace nation disposable income growth.

The continued growth in disposable income affords people the means to travel and explore the state. Travel is often times a luxury item and in times of slow or declining economics conditions, travel is one of the first expenses cut from the budget.

### *Addressing Liability*

Liability is a significant issue facing agritourism operators and can be a barrier to entry. Georgia agritourism operators have limited legislative liability protection which hinders the development of the industry. Currently, there are a number of parties across the state working together across the state to address the issue of agritourism liability during the 2007 legislative session. The development of legislative liability protection for agritourism operators will create a more conducive environment for future development of Georgia's agritourism industry.

### *Emerging Issue*

Agritourism operators may face taxation issues as they often incorporate what may be perceived as commercial activities on their farms. Local authorities may perceive these activities as being a commercial enterprise that is not directly related to agriculture. As a result, the local authority may re-classify the Agritourism operation from agricultural to commercial resulting in a significant increase in tax liability. This issue could possibly be addresses if the State Legislature approves an official definition of agritourism.

In conclusion, Georgia agritourism and nature-based tourism is poised for a year of growth as leisure travelers look to create an experience with their family and friends and school budgets have adjusted to increased fuel prices.

## **Georgia's Bed and Breakfast Inn Market Overview**

There are 130 bed and breakfast Inns in Georgia according to the Georgia Bed and Breakfast Inn Directory. The information in Table 1\_ presents the gross revenue estimates for the 45 respondents that provided this information. On average, Georgia Bed and Breakfast inns generate \$163,000 per year. When examining just the rural and small town Bed and Breakfast inns, the average gross revenue figure is significantly lower, \$109,516 annually.

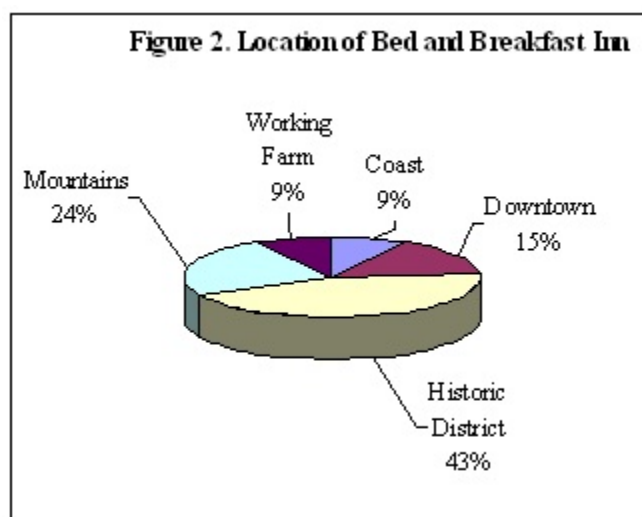
<b>Table 1. Estimated Gross Revenue</b>	
Gross Revenue	Percent
< \$25,000	11%
\$25k to \$49k	9%
\$50k to \$74k	17%
\$75k to \$99k	9%
\$100k to \$124k	14%
\$125k to \$149k	3%
\$150k to \$174k	3%
\$175k to \$199k	6%
\$200k to \$224k	11%
\$225k to \$249k	0%
\$250k to \$274k	3%
\$275k to \$299k	0%
\$400K +	14%
Mean	\$163,154.54
Median	\$102,055.50

## Location

The following information provides insight into where the bed and breakfast Inn's in Georgia are located. The majority of the bed and breakfast facilities are in rural or small town areas. Interestingly, one-third of the respondents are located in Urban area.

Table 2. Bed and Breakfast Inn Setting	
Setting	Percent (n=45)
Rural	46.7
Urban	33.3
Suburban	6.7
Small City Rural	2.2
Small Town	2.2
Historic	2.2
Resort	2.2
Historic in-town	2.2
Unknown	2.2
Total	100.0

Interestingly, there were four working farms and four coastal bed and breakfast inns that responded to the survey. The majority of the responding bed and breakfast inns are located in historic districts.



Specific locations of the responding bed and breakfasts facilities are presented below. The list of cities indicates that the respondents are well disbursed and should represent the state bed and breakfast industry. Savannah has a disproportionate number of bed and breakfast facilities as evident in the table 3.

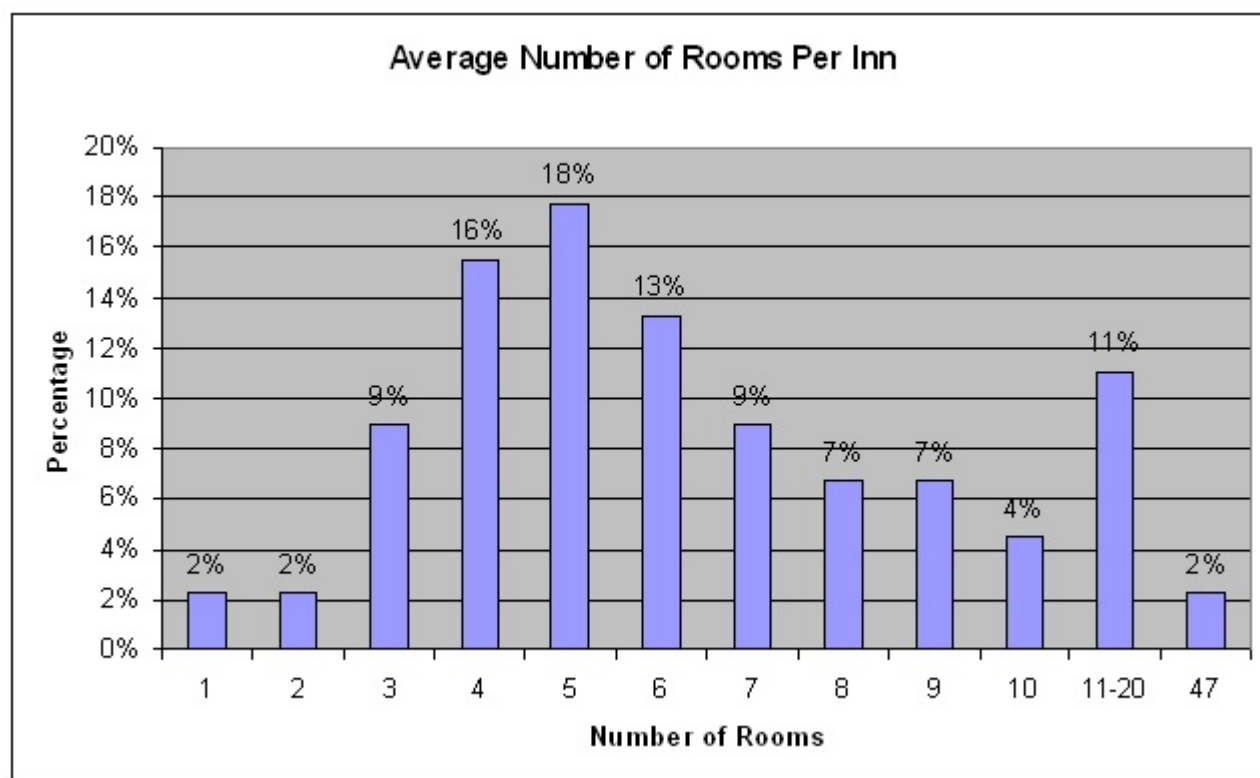
<b>Table 3. Bed and Breakfast Location</b>	
<b>City</b>	<b>Percent (n=46)</b>
Savannah	17.8%
Washington	6.7
Hiawassee	6.7
Dahlonega	6.7
Darien	4.4
Madison	4.4
Chatsworth	2.2
Columbus	2.2
Dublin	2.2
Greenville	2.2
Hamilton	2.2
Blue Ridge	2.2
Lookout Mountain	2.2
Macon	2.2
Athens	2.2
Montezuma	2.2
Moultrie	2.2
Palmetto	2.2
Plains	2.2
Rabun Gap	2.2
Rome	2.2
Sautee	2.2
Americus	2.2
Senoia	2.2
St. Simons Island	2.2
Stone Mountain	2.2
Swainsboro	2.2
Toccoa	2.2
Tybee Island	2.2
Clayton	2.2
Total	100.0

### *Attractions*

The various bed and breakfast inn's reported a wide range of area "attractions" that is responsible for drawing people to the area and ultimately to their facility. The responses focus on spending time outdoors and participating in local activities, again that generally involve the outdoors. These responses can be found in Appendix A.

### *Rooms*

The bed and breakfast inns that responded to the survey have anywhere from one room to 47 rooms. The following presents the percentage of bed and breakfast inns by number of rooms. The mean number of rooms per inn is 7.9. The median number of rooms is 6 and provides a better representation of the rooms found in a typical inn.





### *Seasonality*

The respondents indicated that there is significant seasonality in their business. Table 4 shows that bed and breakfast inns are the busiest during the fall of the year followed by a combination of spring and fall. Spring is also a busy time for bed and breakfast inns. The winter and summer months appear to be significantly less busy than the fall and spring time periods.

<b>Table 4. Bed and Breakfast Inn Seasonality</b>	
<b>Season</b>	<b>Percent (n=41)</b>
Fall	32%
Fall/Spring	22%
Spring	20%
Summer/Fall	10%
Summer/Spring	7%
Summer/Fall/Spring	5%
Summer/Winter/Spring	2%
Winter/Spring	2%

### *Visitors*

According to the results of the survey, visitors appear to come from the Atlanta area and the southeastern states. Three of the respondents indicated they attract visitors from the Northeastern states and two indicated they attract international visitors. The vast majority of the respondents indicated that their visitors hail from within Georgia and the surrounding states.

### Occupancy Rates

Occupancy rates vary significantly between their self described busy season and the remainder of the year, table 5. Weekday occupancy rates during the non-busy season average around 36% while during the busy season, it increases significantly to 49%. Similar results are found for weekends. Weekends experience significantly higher occupancy rates for both the non and busy seasons. During the non-busy season, occupancy rates are about 63%. This increases significantly to 81% during the busy season.

Table 5. Occupancy Rates - Overall verses Busy Season					
	Weekday			Weekend	
Occupancy Rate	Overall	Busy		Overall	Busy
<10%	23%	9%		0%	0%
11-20%	23%	16%		3%	0%
21-30%	6%	19%		13%	3%
31-40%	9%	6%		5%	6%
41-50%	9%	6%		18%	6%
51-60%	17%	3%		13%	6%
61-70%	6%	6%		11%	3%
71-80%	3%	22%		13%	18%
81-90%	3%	3%		8%	21%
91-99%	3%	9%		11%	15%
100%	0%	0%		5%	24%
Mean	36.3	49.0		62.61	81.22
Median	30	42.5		50	90.00

### Room Rates

There were not really any significant differences in room rates charged by the responding bed and breakfast inns depending on the days of the week or time of the year, table 6. Most of the rooms rented for between \$125-\$149 per room per day. Examination of the mean and median values suggest that weekend rates are higher than weekday rates.

This information is important because it provides insight into how bed and breakfast inns across Georgia price their rooms. Amazingly, less than a quarter of the facilities charge less than \$100 per room during weekdays. This number decrease to 16% on the weekend. This suggests that bed and breakfast inns are more expensive than competing low and mid-range hotels. Thus, these guests must have an experience that supercedes any that they would receive at a local hotel. Given the various amenities offered at the different bed and breakfast facilities, it appears they have a superior experience.

**Table 6. Room Rates - Overall verses Busy Season**

	Weekday		Weekend	
Room Rate	Overall	Busy	Overall	Busy
< \$75	2%	3%	2%	0%
\$75 - \$99	21%	21%	14%	16%
\$100-\$124	16%	16%	16%	18%
\$125-\$149	23%	21%	23%	24%
\$150-\$174	12%	11%	16%	11%
\$175-\$199	7%	13%	7%	13%
\$200-\$249	16%	13%	16%	13%
\$250-\$300	2%	0%	2%	3%
\$400	0%	3%	2%	3%
Mean	\$ 142.00	\$ 146.90	\$ 156.05	\$ 156.08
Median	\$ 129.00	\$ 130.85	\$ 145.00	\$ 139.50

## Amenities

There appears to be a minimum level of accommodations among the reporting bed and breakfast inns, table 7. All of the bed and breakfast inns that responded have private bathroom, with 98% having a smoke free environment and three-quarters offer internet service and meals. The results appear that having a private bath is almost mandatory for the industry. Internet access is also a significant amenity given the connectivity of todays society. People say they like to get away, but they rely on the internet for many services, news, entertainment, email, and research to name a few. The inability to access the internet may cause visitors to have a less than totally satisfied experience. Meals are also found in the vast majority of bed and breakfast inns. This list of amenities provides insight into what others are doing and provides a measure of what needs to be included in a bed and breakfast facility.

<b>Table 7. Bed and Breakfast Inns Amenities</b>	
<b>Amenity</b>	<b>Percent (n=45)</b>
Private Bath	100%
Smoke Free Env	98%
Internet	76%
Meals	73%
In-room Fireplace	53%
Wedding Facilities	49%
Hot Tub	40%
Specials/Discounts	33%

The bed and breakfast inns also had some unique or specific amenities to their facility. These included a library, bar, gourmet wine meals, movies, in-room tv and whirl pool to name a few.

## Marketing

One of the most important aspects of starting and running a business is effective marketing. The respondents were asked how they market their bed and breakfast inns. Thirty-eight percent of the respondents use the internet as opposed to brochures to market their bed and breakfast inns. These two media were mentioned significantly more often than other means of marketing.

Bed and Breakfast inns are taking advantage of the recent trends in travel. Research has show that nearly eighty percent of travelers utilize the internet in their planning. The absence of a web presence could have potentially negative consequences in attracting potential visitors.

<b>Table 8. How Bed and Breakfast Inns Market their Facilities</b>		
<b>Marketing Method</b>	<b>Number</b>	<b>Percent</b>
Internet	43	38%
Brochure	34	30%
Travel Guide	19	17%
Magazines	6	5%
Newspaper	2	2%
Referrals	2	2%
B&b Assoc.	1	1%
Booking Agent	1	1%
Internet Directories	1	1%
Mailouts	1	1%
Travel Writers	1	1%
Word Fo Mouth	1	1%

Eighty-nine (89%) of the respondents indicated they have a website for their facility. The respondents were then asked how much of their business is derived from their internet sites. The results are somewhat surprising in that 30% of the respondents indicated that over 90% of their business is generated through the internet. Twenty-two percent of the respondents attribute 80-89% or more of their businesses to the internet. .

These results suggest that a significant portion of a bed and breakfast inn's business is attributed to having a web presence, table 9.

<b>Table. 9 Percent of Business Attributed to Internet</b>	
<b>Percent of Business</b>	<b>Percent</b>
90-99%	30%
80-89%	22%
70-79%	16%
60-69%	14%
50-59%	8%
40-49%	3%
30-39%	8%
Other	11%

### *Conclusion*

There appears to be a thriving bed and breakfast inn industry in Georgia. The location of these businesses are scattered throughout the state and represent historic, rural, urban, beach, mountain and agricultural settings.

The bed and breakfasts rely on the internet to generate a significant percentage of their sales and the absence of a web presence could significantly hinder one of these businesses.

## APPENDIX A

Attractions	Frequency	Percent
	4	8.9
Antebellum Homes, Civil War, Crafts, Candle making, Tour of Homes, Genealogy Buffs.	1	2.2
Antiques	1	2.2
Antiques, Mountains, Fairgrounds, Rafting etc	1	2.2
Callaway Gardens, FDR Little White House	1	2.2
Chattanooga	1	2.2
City of Savannah	1	2.2
College, Entertainment, Dining, Shopping	1	2.2
Corporate Market, Medical Center, University and College, Romantic Getaway	1	2.2
Cultural Events, Oktoberfest, History	1	2.2
Cultural, Historic	1	2.2
Farm Animals, On-Site Restaurant, Top Quality Amenities in Rural Atmosphere	1	2.2
Farming Area, Christmas, Mennonite Restaurant, Anderson National Cemetery	1	2.2
Ft Benning, River Center Concerts	1	2.2
Historic District	3	6.7
Historic Small town close to Atl	1	2.2
Historical Setting, Beach	1	2.2
Historical, Small Town Atmosphere	1	2.2
History, Architecture, Culture Events, Tour of Homes, Weddings, Fam. Reunions	1	2.2
History, Culture, Architecture, Coast	1	2.2
History, Music Festival, Film Fest, Coastal Env. Interests	1	2.2
Little White House, Callaway Gardens	1	2.2
Madison Historic District, Travel Midpoint	1	2.2
Mountain Scenery, Helen, Outdoor Activities	1	2.2
Mountain View, Fall Leaves, College, Big Waterfall	1	2.2

Mountains and Streams, Blue Ridge RR, Working Farm w/ Animals that can be touched and fed	1	2.2
Mountains, Horseback Riding	1	2.2
Mountains, Waterfalls, Mill, Rafting, Wineries, Agritourism	1	2.2
Mountains, Wineries, Gold History, Waterfalls, Day Spa, Horseback Riding, Hiking	1	2.2
Mountains, wineries, theater, hiking, shopping, historic town square	1	2.2
North Ga Mtns, Hiking, Boating, Golfing, Music and Art Festivals	1	2.2
Ocean, island	1	2.2
Relaxation, Family Reunions, Savannah	1	2.2
Sapelo Island	1	2.2
Sapelo Island, Altamaha River, Darien Historic, Beaches, History	1	2.2
Short driving time to Atl, Birmingham, Chatt., peace and tranquility of north ga mtns.	1	2.2
Special Romantic Package	1	2.2
State Parks, White Water Rafting, Hiking, Georgia Wine Highway	1	2.2
Stone Mtn Park, Historic 1820's Inn	1	2.2
Vineyards, Historic, Waterfall, Hiking, River Outings	1	2.2
Total	45	100.0



# The Center for Agribusiness and Economic Development



The Center for Agribusiness and Economic Development is a unit of the College of Agricultural and Environmental Sciences of the University of Georgia, combining the missions of research and extension. The Center has among its objectives:

- ▶ To provide feasibility and other short term studies for current or potential Georgia agribusiness firms and/or emerging food and fiber industries.
- ▶ To provide agricultural, natural resource, and demographic data for private and public decision makers.

To find out more, visit our Web site at: <http://www.caed.uga.edu/>

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**Center Report: CR-07-19**

**August 2007**

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Issued in furtherance of Cooperation Extension Acts of May 8 and June 30, 1914, the University of Georgia College of Agricultural and Environmental Sciences, and the U.S. Department of Agriculture cooperating.

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