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### Roomservice more than revenue generator

5 Aug 2013

More hotels are forgoing roomservice for "grab-n-go" options, but the long-standing amenity is still important for some hotels and guests.

#### Highlights

- In 2012, roomservice revenue was down to 1.2% of total revenue.
- Roomservice appears to be less favored by hotel guests as revenues have been in a downward trend since 2007.
- At properties that want to keep their 4- or 5-diamond AAA ratings, roomservice should be available.

By David Sangree  
HNN contributor

Thinking about that breakfast you just ordered at your hotel, delivered to you on a cart and white tablecloth by a smiling waiter? Think again. Some hotels are considering eliminating this loss leader department.

Hoteliers constantly try to keep up with the ever-changing needs of guests. One of the newer trends some hoteliers are exploring is [the elimination of roomservice at full-service hotels](#) and collaborating with local delivery restaurants or add their own grab-n-go cafeteria-style eateries.

Some large hotels already have started testing this new approach. The most recent one is the upper-upscale, full-service New York Hilton Midtown, the largest hotel in New York with almost 2,000 rooms.

#### Roomservice trends

The New York Hilton Midtown decided to discontinue room service effective August 2013. Instead, the property will open a grab-n-go, cafeteria-style restaurant called Herb n' Kitchen. It will offer breakfast, lunch and dinner, and it will feature a barista area to prepare specialty coffee. Guests can pick up an order to bring back to their rooms, or they can enjoy their meal in the lobby lounge. According to a Hilton Midtown hotel representative, it is still in discussion whether or not they will deliver food from Herb n' Kitchen to the guestrooms.



David J. Sangree

The New York Hilton Midtown isn't the first hotel to change its roomservice model, and it is not the only one. Some other hotels that have a similar grab-n-go eatery or have reduced their roomservice hours include:

- **Hilton Hawaiian Village Waikiki Beach** was among the first to eliminate roomservice in October 2012. It implemented a new concept called Fresh Connection. Guests have the option to order online, by phone or from a smartphone app and can have their food delivered to their room or be picked up.
- **DoubleTree by Hilton** in Tulsa, Oklahoma, launched the very first MADE Market, which offers homemade-style classics and specialty made-to-order dishes. Guests have the option for dine-in, take-out or delivery.
- **The Hudson Hotel** in midtown Manhattan has reduced roomservice hours and launched the Hudson Common Express,

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which is a beer hall and burger joint that offers take-out and delivery items.

- The Public Express at **Public Chicago** serves gourmet meals for breakfast and lunch and dessert made by the famous French chef Jean-Georges Vongerichten. Guests can either pick up the order or have it delivered to the guestroom in a brown paper handle bag within 10 minutes at no delivery charge.
- The **Grand Hyatt** in New York reduced its roomservice hours to be closed at 11 p.m. when it opened the 24-hour grab-n-go market.

### Roomservice revenue

Studies from the HOST Almanac from [STR Analytics](#), sister company of Hotel News Now, and PKF Consulting have both showed a constant decline in roomservice revenue since 2007. In 2012, roomservice revenue was down to 1.2% of total revenue compared with 1.3% in 2011, and 1.5% in 2007.

We have also analyzed the amount of revenue generated from roomservice in a group of urban, suburban and resort hotels that we have appraised in recent years. Based on our analysis of the financial statements for these hotels, there was a mixture of profitability as approximately 20% of our sample showed a loss while the majority of the properties reported a profit. Hotel properties account for expenses differently in the roomservice department, with some properties charging various allocations to the department and others solely showing payroll and not even food-and-beverage costs.

Many full-service hotels offer their roomservice department to guests 24 hours a day, which results in particularly inefficient labor management. We have analyzed the roomservice departmental revenues and expenses of a group of hotels and resorts that we have previously appraised. We found that many properties suffer from high payroll expenses in this department with some properties achieving losses.

Roomservice appears to be less favored by hotel guests as revenues have been in a downward trend since 2007. A 2012 PKF chart on U.S. hotel roomservice revenue shows that last year's revenues averaged \$866/room compared with \$1,157/room five years ago, which represents a decrease of 25.1%.

### U.S. Hotel Room Service Revenue Dollars Per Available Room



Note: Sample of hotels that reported room service revenue  
Source: PKF Hospitality Research, LLC, *Trends® in the Hotel Industry*

### Evolving expectations

For many hotels, the amount of revenue generated can barely cover the cost to run the service. For urban hotels with high labor costs, the properties frequently lose money in the department. However, financial concerns are not the only reason hotels want to cut roomservice. Today fewer people actually take advantage of it. And many guests like their stays to be technology-oriented with little human interaction.

Many guests want a faster, more casual way of dining. TripAdvisor recently launched its TripIndex, a new study to compare roomservice prices. TripIndex indicated a club sandwich can cost up to \$24 in the

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Cutting roomservice not only will save costs for the hotels but also for the guests. By offering simple gourmet-style items on the menu and/or delivering food to guests in brown paper bags, hotels can cut labor costs. Thus, guests will no longer have to pay for the high delivery fees and service fees.

### Keeping the diamonds

For some hotels, roomservice is not meant to make profit. It is a brand standard and an important amenity for those guests who still value the luxury of having room service. Even if they have to pay for the high-priced service, given that they are staying at a 4- or 5-star luxury hotel, these guests are usually there to pamper themselves.

If a 4- or 5-diamond AAA rated hotel wants to keep its diamonds, it will have to keep offering roomservice. AAA diamond rating standards indicate a 4-diamond hotel is required to have roomservice available for breakfast, lunch and dinner, while a 5-diamond hotel is required to have room service available 24/7.

We project AAA will continue to maintain the standards for 4- or 5-diamond hotels to provide room service.

### Summary

Should full-service hotels eliminate room service? It could certainly make sense for some hotels, but for others not having roomservice would turn away some guests. When it comes to making a decision regarding service and amenity changes, guest expectations and a hotel's status level should be the main focus.

At properties where guests want to take advantage of being pampered with breakfast in bed or a meal in the room and at properties that want to keep their 4- or 5-diamond AAA ratings, roomservice should be available. For those properties in a market that does not offer many nearby casual eateries, with guests arriving at all hours (such as airport areas), roomservice would be an essential service. Even if it does not generate profit, it is an important amenity that is part of the guest's experience.

On the other hand, for the properties that are in a market with high demand that isn't very volatile like New York with countless casual eateries around every corner, it would make sense for these hotels to replace roomservice with a casual grab-n-go eatery or by allowing restaurant delivery, since this department can be a money-loser.

David J. Sangree, MAI, CPA, ISHC is President of Hotel & Leisure Advisors, a national hospitality consulting firm. He performs appraisals, feasibility studies, impact studies, and other consulting reports for hotels, resorts, waterparks, golf courses, amusement parks, conference centers, casinos, and other leisure properties. He has performed more than 2,000 hotel studies and more than 400 indoor and outdoor waterpark resort market feasibility and/or appraisal studies across the United States and Canada. Mr. Sangree received his Bachelor of Science degree from Cornell University School of Hotel Administration in 1984. He became a certified public accountant in 1989. He became an MAI member of the Appraisal Institute in 1995 and a member of the International Society of Hospitality Consultants in 1996. Since 1987, Mr. Sangree has provided consulting services to banks, hotel companies, developers, management companies, and other parties involved in the lodging sector throughout the United States, Canada, and the Caribbean. He has spoken on various hospitality matters at seminars throughout the United States and on Good Morning America and CNBC. The author wishes to thank Ms. Ya Liu, our 2013 summer intern from Michigan State University's School of Hospitality Business, for her assistance on the article. He can be reached at 216-228-7000 extension 20 or [dsangree@hladvisors.com](mailto:dsangree@hladvisors.com).

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