

## Opinions

# Discovering hidden ROI gems

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There are certain areas within a hotel that can be looked at in different ways to drive ROI and encourage guests to spend more time on-property.



By Warren Feldman

Owners and asset managers are always looking for ways to increase a property's revenue. Sometimes one needs to look "inside the box" to discover those areas that can produce hidden returns on investment.

Many hotels, especially those built a number of years ago, have areas which were in vogue at the time, but are no longer in demand. Turning those underperforming areas into supplementary revenue generators can take some creativity. Based on the previous experience in creating these spaces, this article will navigate some possible areas in the hotel that can be converted or improved to keep guests on-property more and increase the bottom line.

### Is the public area oversized?

Many properties were built with large lobbies, pre-function areas and soft seating areas. Having public areas with an abundance of space can lead to dead zones. Brands are looking for ways to activate their public areas, but finding extra space to utilize or better uses for the existing space is an exercise best done with an interior designer or architect.

It is important to understand the code issues and building infrastructure issues generated by reallocating the uses of spaces. Studying the use of public space can be accomplished by a variety of methods. Just stand or sit in the space and watch the guests use the areas throughout the day. Where do they congregate? What spaces never get used? Are there spaces that are only used at certain times? Are there spaces that are always full? These questions should be examined on a busy day, a light day, a weekend day and a week day. With the input received from the guest usage, the next piece is to study where they go off-site. That is of course much harder, but are they leaving for breakfast because there is no grab-and-go market? Are they using the lobby bar or meeting in the lobby and going somewhere else? Are there amenities that the property currently does not provide that it could?

Ask the concierge which services people are asking about off-site. Talk to the front desk staff. Reconfiguring the public areas to incorporate food-and-beverage options or communal work spaces will energize and elevate the guest experience. Spaces that were once needed, like public pay phone banks, are all but gone. Business centers are becoming a thing of the past. Even boarding pass printers may soon disappear with the frequent use of phones as boarding passes. Once the available spaces have been identified and some potential needs, the fun really begins. What works and is there a return on the investment to create it?

### Is there a way to add more keys?

Many clients are looking to maximize keys and fight the brands tooth and nail when the brands wants to steal a key to expand the fitness center or club lounge or F&B outlets. Adding more keys doesn't have to happen through building an expansion. Often, however, the real hidden gem is in studying the oversized guestrooms or suites.

Can additional keys be created by splitting those keys? Can the extra space be combined to make an extra room between two keys? Does the rate for a two-bay suite actually double the rate for two separate keys? Are there spaces on or near the guestroom wings that could be repurposed to add additional keys? Often hotels had meeting rooms interspersed on guestroom floors, are those still in demand?

Again, adding a key is not just about the guestroom itself, there are other questions that need to be considered. Local zoning, as well as brand requirements, will likely require additional parking to support those keys. There is an increase to the electrical load, the water and sewage loads, and the HVAC loads when these spaces are created.

Will additional risers be required? Do the added keys increase the required accessible room counts? Can the fire alarm system handle the additional rooms? Some pitfalls in evaluating the value of these extra rooms is that one needs to remember their occupancy won't be the same as the rest of the property, they will only sell on sell out nights. So, the incremental rooms may have a 50% occupancy rate. However, those nights are higher revenue nights. Also, suites are viewed as a complimentary upgrade for the frequent travelers so the suite may not be earning the high rate all the time. Two rooms will really gain rate.

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### **Can meeting space be converted to other areas?**

Transient or leisure travel hotels may not have a large demand for meeting space use. Could some of that space be better suited for another purpose such as additional F&B outlets, additional keys, or a larger fitness center? Converting meeting space is generally a more complex analysis depending upon its location.

Meeting rooms typically have higher ceilings and low electrical and plumbing loads. The service connections to the kitchen usually work well for expanded F&B. The traffic flow for the fitness center or guestrooms may not be as simple. No one wants a sweaty guest passing by the meeting space. There are code implications as well. Meeting space is generally treated as assembly space with specific fire alarm and egress requirements. F&B or guest usage areas have differing life safety requirements.

### **Will a coffee bar keep guests on-property?**

Finding ways to keep guests and their spending on-property is key. Guests will walk a couple of blocks for a Starbucks. Once they are gone, that coffee may become a full breakfast or at least a light fare that could have been captured on-site. The longest lines in the airports are at Starbucks and Dunkin' Donuts.

Today's traveler wants their creature comforts. If a way can be found to incorporate a coffee bar on-site, a guest could be retained and even attracted away from the comp set that does not have the same amenity. A coffee bar could be a full blown Starbucks or Dunkin' experience or just a "we proudly brew" type experience. The key is determining the correct scale for the property.

Should it be combined with the lobby lounge to create a day time use for that seating? Should it be on the street façade to grab supplemental revenue off the street? Coffee shops have high equipment costs, but very low labor costs. The initial costs are high, but operating margins generally lead to short paybacks. Decoding if the coffee bar should be a full grab-and-go or market depends on scale and guest use. The coffee shop can frequently get the guest to stick around another hour or so on-property.

### **Can unused parking spaces be leased?**

Many hotel brands and /or zoning require one parking space per hotel guest. If the hotel is not utilizing those spaces or possesses extra parking beyond the zoning needs, one might consider leasing the unused spaces to a neighboring business that may be in need of more. Some airport properties have found they can add airport parking to create extra demand. One property found the airport parker would grab a Starbucks on-site while waiting for the shuttle. It's a great way to generate income without disrupting the guest experience and helps the community as well.

### **Can the pool be converted to meeting space or a larger fitness center?**

Hotels that have their primary guest as the business traveler can often times find their pool is underutilized. The conversion of a pool to alternative use does pose some building code and structural issues. The egress from a pool area is generally a much smaller number than required for meeting space. Pool facilities are also typically not located near a kitchen so F&B service can become an operational issue.

Typically, the best use of old pool space is to be considered for additional meeting space that will generate income. Often, the area below an above grade pool is also usable once the pool is removed so twice the space may be generated. Another potential reason to convert to meeting space is the use of the outdoor sunning areas as outdoor function spaces. Certain brands and clients have found that underused pools make great fitness areas. The spaces typically have higher ceilings, restrooms nearby, a separate HVAC system, and are generally located far away from noise sensitive areas. Also, fitness centers and pools have similar egress loads.

### **Can the roof become a function space?**

Activating the rooftop can be an excellent use of empty space. Added amenities like a bar, pool or an amenity game deck can enhance the guest experience and keep guests on-site. A rooftop amenity is most successful where a city view or other attraction makes the rooftop area appealing. Generally, hotel rooftops house guest bathroom exhaust fans, major mechanical equipment, elevator penthouses, cell towers, and many other items not intended for public viewing.

It's important to remember that there are other factors to consider, besides having the square footage, before moving forward. Zoning ordinances, egress, ADA, elevator issues and operational efficiencies are all elements that could possibly create a situation where the cost to create the rooftop amenity will far outreach the return on investment. Climatic issues can also impact the usefulness of the rooftop spaces. Not only can plumbing freeze in the winter time, but guest comfort is harder to achieve in the summer time as well. Shade screens and similar devices may be needed to control the overall temperatures.

Uncovering additional revenue opportunities can be beneficial to both the bottom line and the guest experience. It's important to consider all the factors and costs before embarking on renovations. The proper due diligence, with a good design team and project manager at the beginning, may lead to discovering untapped potential in areas that weren't even considered. Every property is unique and most should be examined individually. Just because it worked somewhere else does not mean it will work at another property; and conversely, just because it failed elsewhere, does not mean it will fail for a different asset.

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