

Will Ancillary Revenues become Primary Revenues in the COVID Era?

By Ajay Mehtani

HVS ANAROCK spoke about ancillary revenues in early 2019 and the concept of focusing on Revenue Per Square Feet at our HOPE conference again in Bengaluru in August last year – thus, initiating a dialogue with the industry on the concepts of Total Revenue Management.

When the times are good, Ancillary Revenues seem very small and we let the opportunity pass by, as the effort does not add up to the return! Yes, any new product or innovation starts small. For instance, let's take the example of the food delivery industry. Frost & Sullivan estimated the global food delivery industry to be worth \$82 billion in terms of gross revenue bookings, expected to more than double by 2025, backed by a cumulative growth rate of 14%.

Now, is that small? Have we, the hotel industry, missed a seemingly great opportunity by not being part of the delivery model in the early stages i.e. Cloud Kitchens, extending our restaurants for take-aways etc. No, we do not think so. We think this pandemic has given us the opportunity to re-boot in the true sense and look at every revenue area & product we can market from the infrastructure we have:

- Lifestyle Health Management Services
- Wellness and not Gyms as a product
- Cloud Kitchens to cater to a Billion\$ food delivery industry

- Design a drive-in take away model in all future hotels
- Hotels as billboards

There are several other areas that may need re-booting.

This high capital infrastructure that we build needs to generate a ROI & Yield. We can continue to say that we are waiting for the right time or a good cycle, but we have not seen one in the last decade, with hotels barely managing to pay debts. In order to grow as an industry and attract serious investors, we must get the right yields in this ever-dynamic environment at the market pricing and occupancy levels.

Hence, should we be re-booting and looking at the capital investments in building Hotels or looking at delivering incremental revenues, a more efficient per square foot model of revenues or continue waiting for the government to give us infrastructure status? The answers lies with us, what we should & can do, what is in our control now, rather than wait for another unprecedented event that may shake us again in the future.

We need to make changes, so Re-boot Now rather than later!

Get in Touch

GURUGRAM

Level 7, Tower B, Building No. 9, DLF Cyber City, Phase III
Gurugram 122 002
+91 124 488 5580

MUMBAI

1002, 10th Floor, B Wing, ONE BKC, Plot No. C-66, G Block, Bandra Kurla Complex
Bandra (E), Mumbai 400 051
+91 22 4293 4293

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