

FOOD & BEVERAGE

F&B recovery: Revenues lag but profits rise

The COVID pandemic wreaked havoc on hotels. While room revenue has almost recovered nationally to 2019 levels, food and beverage revenue continues to lag 2019—but maybe that is OK.

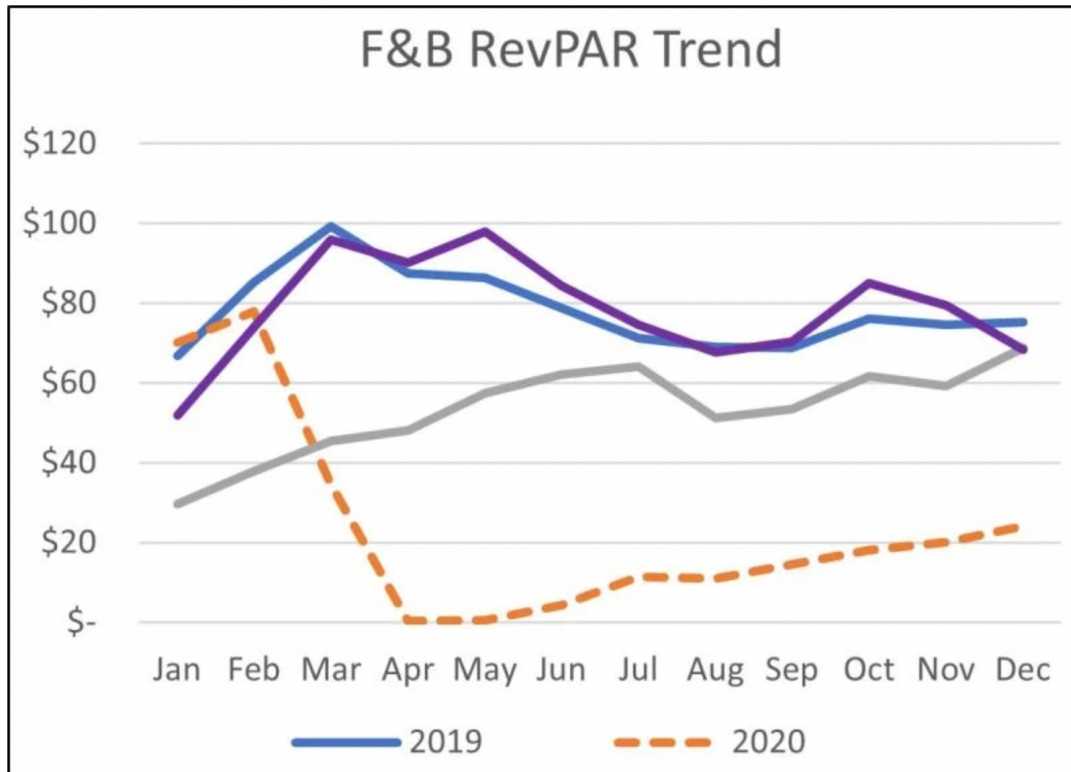
According to a recent CBRE report, F&B revenue declined by 72.5 percent on a per-available-room basis in 2020. CBRE projected that while 2022 room revenue was at or above 2019 levels, F&B revenue for 2022 was only at 88 percent of 2019 and only 76 percent of 2019 on an inflation-adjusted basis. CBRE noted that 2022 profitability was projected to be 27.7 percent, only 90.1 percent of 2019 F&B profit of 30.5 percent. The table below highlights the F&B revenue PAR since 2015.



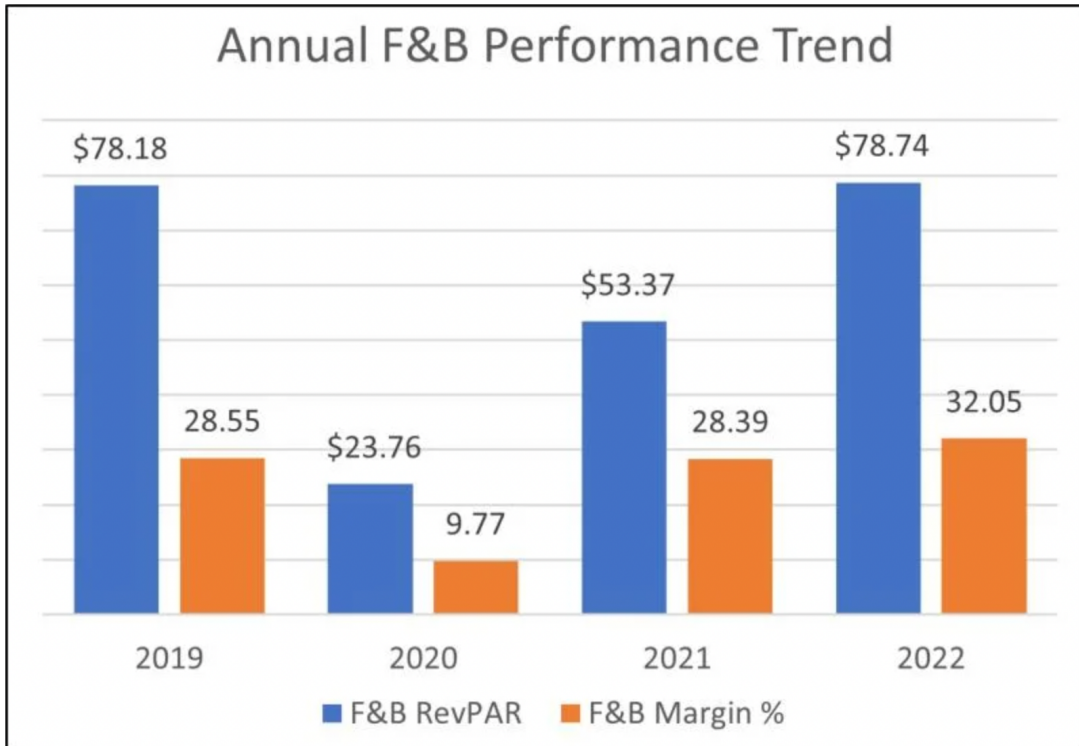
If you own or manage a full-service hotel, resort or convention hotel, this is probably not news to you. Lag in group recovery affecting banquet capture, closed outlets and staffing shortages all could not counteract the industry’s effective increase in menu prices and pent-up catering demand. But despite the shortfall in F&B revenue, there may be a silver lining in this trend.

Case Study

HotelAVE ran a similar analysis on the hundreds of F&B outlets and operations under management and compared the F&B revenue and profits in our portfolio. While the results confirmed the lag in revenue compared to 2019, we found that our profitability for those same hotels was above 2019 levels. The table below shows a slight decline in 2022 F&B revenue compared to 2019.



While COVID created a downturn in occupancy and potential F&B covers, hotelAVE pivoted quickly to work with our hotels to strategize the best path forward. Unprofitable outlets were shut down, operating hours were restricted, delivery processes were changed and staffing reduced. Despite a steep decline in F&B revenue, these changes had a positive impact on profitability. The chart below highlights the F&B profitability in our portfolio, showing a profit of 32 percent in 2022, an increase of 12.2 percent over 2019 profit of 28.5 percent.



Next Steps

Entering 2023, there are many new best practices that need to be deployed in order to ensure improved F&B profit margins are maintained. The early trend through the budgeting process indicated that brands and operators were pressing for the return of loss leader operations within F&B. hotelAVE recommends to owners and operators that they take a hard look before changing the recent trends that improved profitability.

Review outlet performance and guest comments before adding any additional meal periods or hours. If lunch was not profitable before COVID and was eliminated, don't add it back. If room service was changed to guest grab-n-go, keep that process in place.

Analyze current staffing levels before hiring any additional kitchen or front of house staff. Understand consumer demands regarding breakfast and lunch and modify offerings accordingly. Evaluate revenue per hour. Review revenue per full-time position before looking to increase staff. Do a price shop and increase menu prices or modify portions where you can; don't forget that food inflation has been over 20 percent in the past two years alone. The pros and cons of this strategy needs to be carefully vetted and the right balance can be achieved where guest satisfaction and F&B profit remains at record levels.

The consequences of the Covid downturn created an opportunity to radically look at the delivery of food and beverage at hotels, especially when outlets are primarily to service in-house guests. Use those successes to keep profitability high as revenue continues to improve. Increased profitability should always be on the menu.

John Paulsen is SVP at hotelAVE.

<https://www.hotelmanagement.net/food-beverage/fb-recovery-lag-revenue-gain-profits>