

Part II

ANYBODY INN ?

In spite of there, having been 5 days of public holidays in the month of April, food and beverage sales in that month were down, significantly, at most of the 40 major hotels in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

According to statistics, recently compiled by TARGET, April's food and beverage sales fell by more than 16 percent at Grand Hyatt Hongkong, the top-ranking, HKSAR hotel in terms of the combined sales of food and beverages.

The absolute figure was about \$HK20.84 million, down about \$HK4 million, compared with the sales of food and beverages in April 2000.

Food sales, alone, dropped by about 15.70 percent in April at this Cheng Yu Tung hotel, from the 2000 figure of about \$HK17.33 million to the 2001 figure of about \$HK14.60 million.

At the same time, April's sales of beverages were down about 17 percent, from the 2000 figure of about \$HK7.51 million to the 2001 figure of about \$HK6.24 million.

The Gross Profit from sales of food and beverage at Grand Hyatt was down nearly 16 percent in the month of April, compared with the like month in the year 2000.

The drop in sales goes along with last Wednesday's suggestion, contained in [TARGET Intelligence Report, Volume III, Number 103](#).

In that report, headlined, '**ANYBODY INN ?**', TARGET stated that it was quite likely that HKSAR hotels would feel the knock-on effect of the slowdown of the US economy – with major, 5-star hotels, likely to be hit the hardest.

The latest TARGET statistics appears to bear out the veracity of that report.

Even the top-of-the-line hotel in the HKSAR, The Peninsula Hongkong, could not escape the US economic slowdown as combined sales of food and beverages fell to the April 2001 figure of about \$HK18.85 million, down from the like 2000 month of about \$HK20.14 million.

This represented a drop of about 5.40 percent, comparing the 2 Aprils.

As for food sales at this well-established hotel, controlled by the Kadoorie Family, it fell in the month of April by about 5.90 percent, from the April 2000 figure of about \$HK14.48 million to the April 2001 figure of about \$HK13.63 million.

The Gross Profit from sales of food and beverages fell by about 5 percent in April 2001, compared with April 2000, TARGET has discovered.

At Hotel Intercontinental Hongkong, the Cheung Yu Tung hotel which, recently, was sold to The Bass Company for about \$HK2.70 billion, that British company, promptly, changing the hotel's name from The Regent Hongkong to its present name, sales were, just about, on a par with the situation at Mr Cheung Yu Tung's Grand Hyatt Hongkong.

Combined food and beverage sales were off in the month of April 2001 by about 16.10 percent, from the 2000 April figure of about \$HK22.29 million to the April 2001 figure of about \$HK18.70 million.

Beverage sales, alone, were off about 17.90 percent in April 2001, compared with April 2000, from about \$HK6.16 million to about \$HK5.06 million.

Hotel Intercontinental Hongkong's Gross Profit from the sales of food and beverages in the month of April 2001 was down about 12.90 percent, compared with the like month in 2000.

No doubt, The Bass Company knew of the fall-off in the sales of food and beverages and of the drop in the Gross Profit from this important revenue source.

At Mandarin Oriental Hongkong, April's combined sales of food and beverages were off only 7.70 percent, compared with April 2000, from the 2000 figure of about \$HK18.66 million to the 2001 figure of about \$HK17.23 million.

Mandarin Oriental Hongkong's Gross Profit from such sales shed about 5.20 percent, April 2000 to April 2001, from about \$HK\$HK13.52 million to \$HK12.82 million.

In line with the statements of Mr Dennis A. Clarke, Area Director of Operations, Asia, and Managing Director of Hongkong, Conrad Hongkong, made to TARGET and contained in last Wednesday's TARGET Intelligence Report, sales of food and beverages at Conrad Hongkong were *'flat'* in the month of April 2001, compared with the like month in 2000.

The figures, collected by TARGET, indicate a drop of about 6.40 percent, April-to-April, from \$HK14.88 million in April 2000 to about \$HK13.92 million in April 2001 at this hotel, controlled by Mr Robert Ng Chee Siong, Chairman of the Sino Group of the HKSAR.

Food sales, alone, however, were down in the same period by about 9 percent, from about \$HK11.77 million to the April 2001 figure of about \$HK10.71 million.

The Gross Profit from sales of food and beverages at this HKSAR, 5-star hotel was pared by about 3.70 percent, comparing the 2 Aprils.

The following table tells the tale of major HKSAR hotels, perhaps, more graphically:

Comparative Study of Food and Beverage Sales at the Top 10 HKSAR Hotels

Name of Hotel	Combined Food and Beverage Sales (\$HK'000)	Food Sales, Only (\$HK'000)	Beverage Sales, Only (\$HK'000)	Beverage Cost (Percentage)	Food Cost (Percentage)	Gross Profit (\$HK'000)
<u>Grand Hyatt Hongkong</u>						
2000	24,845	17,333	7,512	22.00	30.00	17,992
2001	20,842	14,604	6,238	20.50	30.40	15,124
Difference (%)	(16.10)	(15.70)	(17.00)	(1.50)	(1.50)	(15.90)
<u>Peninsula Hotel</u>						
2000	20,137	14,480	5,857	22.20	30.00	14,537
2001	18,851	13,627	5,224	19.20	29.60	13,814
Difference (%)	(5.40)	(5.90)	(7.70)	(3.00)	(0.04)	(5.00)
<u>Hotel Intercontinental Hongkong</u>						
2000	22,293	16,129	6,164	19.00	27.90	16,622
2001	18,702	13,640	5,062	18.80	24.00	14,477
Difference (%)	(16.10)	(15.40)	(17.90)	(0.20)	(3.90)	(12.90)
<u>Island Shangri-La Hotel</u>						
2000	19,662	15,852	4,010	23.60	32.50	13,829
2001	17,710	14,036	3,674	21.50	30.50	12,839
Difference (%)	(9.90)	(10.30)	(8.40)	(2.10P)	(2.00)	(7.30)
<u>Mandarin Oriental Hongkong</u>						
2000	18,656	13,075	5,581	21.50	30.10	13,521
2001	17,228	12,003	5,225	21.00	27.60	12,818
Difference (%)	(7.70)	(8.20)	(8.40)	(0.50)	(2.50)	(5.20)
<u>Sheraton Hongkong Hotel and Towers</u>						
2000	17,726	13,164	4,562	17.90	29.40	13,039
2001	17,127	12,759	4,368	17.00	29.30	12,646
Difference (%)	(3.40)	(3.10)	(4.30)	(0.90)	(0.10)	(3.00)
<u>JW Marriott Hongkong</u>						
2000	17,782	15,225	2,557	18.60	32.00	12,434
2001	16,268	14,197	2,071	20.10	34.10	11,011
Difference (%)	(8.50)	(6.80)	(19.00)	(1.50)	2.10	(11.50)
<u>Conrad Hongkong Hotel</u>						
2000	14,875	11,765	3,110	20.10	28.20	10,932
2001	13,920	10,706	3,214	19.00	26.00	10,526
Difference (%)	(5.40)	(9.00)	(3.30)	(1.10)	(2.20)	(3.70)

<u>Shangri-Li Kowloon</u>						
2000	15,237	12,015	3,222	19.80	32.10	10,742
2001	13,221	10,574	2,647	20.00	30.10	9,509
Difference (%)	(13.20)	(12.00)	(17.80)	(0.20)	(2.00)	(11.50)
<u>Furama Hotel Hongkong</u>						
2000	13,016	10,997	2,019	18.20	30.60	9,283
2001	12,464	10,608	1,858	16.90	31.90	8,766
Difference (%)	(4.20)	(3.50)	(8.10)	(1.30)	1.30	(5.60)

Food Costs

One of the many positive aspects of the HKSAR is that food outlets at major, 5-star hotels, provided that there is management accountability and that they are maintained at a high standard of service, with the quality of the fresh produce, also maintained at a high level, is that they are, relatively speaking, very affordable on an international basis.

For only at such establishments can the high costs of importing some of the best chefs in the world, along with some of the best foodstuffs in the world, be afforded.

Stand-alone restaurants are hard-pressed to compete with food outlets at major hotels in the 416 square miles that constitute the HKSAR.

Gaddi's, for instance, the premier restaurant at The Peninsula, pays top dollar for its chefs and thinks nothing of a food cost of about 30 cents on a dollar of gross revenue.

Comparing Gaddi's food costs of April 2001 with its food costs for April 2000, one sees a difference of just 40 cents on the dollar: 30 percent versus 29.60 percent.

But, at Hotel Intercontinental Hongkong, for the month of April 2001, the food cost dropped to 24 percent, a drop of about 14 percentile points.

What this has to mean is that, while patrons of this hotel continued to pay the same – or more – for their meals, they were getting lower quality food products for the same money.

In view of the fact that The Regent Hotel had hung out the '*For Sale*' sign, which was, eventually, picked up by The Bass Company, it is understandable that the powers-that-were in this hotel were not too interested in gilding the lily, as the saying goes: For what reason should food costs stay at high levels when the entire hotel was on the chopping block?

In terms of food costs, in the top 10 HKSAR, 5-star hotels, Hotel Intercontinental was the cheapest.

At the same time, however, one notes that the combined sales of food and beverages at this beautiful-looking hotel ranked Number 3, in terms of Gross Sales.

The highest food cost in the month of April 2001 was at JW Marriott Hongkong, rising from the April 2000 cost of 32 percent to the April 2001 cost of 34.10 percent.

All this tells one where one may obtain the best value for money, doesn't it?

And, when food costs fall at a major hotel, there is, normally, a correlation with the decreased gross profit and that factor.

As is, always, the case, there are as many exceptions as there are rules.

The Ritz Carlton, a hotel, which is owned by Mr Lim Por Yen, the paterfamilias of the Lai Sun Group of Companies, was ranked at Number 24 of the 40, major HKSAR hotels, in terms of combined food and beverage sales in the month of April 2001.

But this luxury hotel, which abuts Mr Lim Por Yen's other hotel property, Furama Hotel Hongkong (which will be closed at the end of this year), churned over only about \$HK6.51 million in terms of combined sales of food and beverages in the month of April.

And the April 2001 level of income from food and beverages was a decrease on the April 2000 figure of about 3.20 percent.

The food cost at this hotel was 31.10 percent in April 2000, falling to about 29.70 percent in April 2001.

Furama Hotel Hongkong, on the other hand, enjoyed combined food and beverage sales in the month of April 2001 of \$HK12.46 million, with the food cost, being about 31.90 percent.

Interestingly enough, The Ritz Carlton prides itself on being a top-drawer hotel, but it is the Furama Hotel Hongkong that leads the way in the profits' stakes; and, supports a higher cost per dollar for fresh produce.

A factor, which, no doubt, is a determinant in respect of profitability of a luxury hotel, in terms of food and beverage, is wastage.

Many 5-star hotels – and Mr Dennis A. Clarke, Area Director of Operations, Asia, and Managing Director, Hongkong, Conrad Hongkong Hotel, has confirmed this – can suffer food wastage at such a high level that it tends to distort the true picture in terms of profitability for food and beverage sales.

Theft, of course, is another factor.

TARGET has been told that a former Food and Beverage Director at one, 5-star hotel on Hongkong Island was caught with his knickers, down around his ankles, when it was discovered that he had been in the habit of drinking 1985 Saint Julien Ducieu Beaucaillou, a lovely red from Bordeaux, France, known, mostly, to connoisseurs.

He had been secreting this wine as his private collection – at a cost of more than \$HK1,500 per bottle, a cost which was borne by the hotel, of course.

There was another example of a former maitre d'hotel of a brasserie at a luxury hotel in the HKSAR who, regularly, imbibed some of the most expensive of vintage wines of the hotel, claiming to the General Manager, as an excuse for his habit, that '*I have to taste the wines before I offer them to my guests!*'

Notwithstanding theft, stupidity, wastage and spoilage – the last-named should, never, be a major problem in any event – food and beverage costs at major hotels should indicate the direction of profits and the level of quality of the hotel.

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