

**THE HONGKONG HOTEL INDUSTRY – PART III:
THE ‘CASH COWS’ AND HOW THEY ARE SUFFERING**

While well-heeled individuals like to be pampered when frequenting the fine-dining outlets of 5-star hotels in order to obtain what they consider as the best and most-exotic of cuisines, the best (and the most expensive) wines and spirits, and enjoy impeccable service, actually, such establishments, if costed, properly and on the basis of the amount of space, allocated for such food outlets, factored in with the cost of the décor and its upkeep in addition to recurrent costs in respect of the maintenance of such establishments, they, rarely, could be considered very profitable ... if at all.

If anything, such important food outlets are, merely, a necessary service to those guests, in the upper echelons, who put their heads on pillows of these 5-star hotels.

The real winners of any 5-star hotels, in terms of pulling in the cash, are the coffee shops, known in the parlance as, *‘The Cash Cows’*.

In this final report about The Hongkong Hotel Industry, **TARGET** () has concentrated on incomes from the coffee shops of 5-star hotels in Hongkong and Kowloon, selecting, as being fairly representative of the 5-star hotels of the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC), the following 13 hotels, arranged in alphabetical order, only:

Conrad Hongkong
Grand Hyatt Hongkong
InterContinental Grand Stanford Hongkong
Island Shangri-La Hongkong
JW Marriott Hongkong
Kowloon Shangri-La
Langham Place Hongkong, Mongkok
Mandarin Oriental Hongkong
Peninsula Hotel Hongkong
Sheraton Hongkong Hotel and Towers
The Excelsior Hongkong
The Langham Hongkong
The Park Lane, Hongkong

(**TARGET** recognises that not everybody would agree that some of the above-mentioned hotels are of 5-star quality, but that is a matter of opinion and this medium is unwilling to argue the toss on that score.)

The 2 Winners And The 11 Losers

Of the above-mentioned hotels, there were only 2 winners, during the month of October: Mandarin Oriental Hongkong and JW Marriott Hongkong.

Both of these, 5-star hotels were able to record positive financial results with positive growth in respect of the revenues of their coffee shops for October, on a Year-On-Year comparative basis.

For Mandarin Oriental Hongkong, during October, its gross revenue at its coffee shop was about \$HK3.46 million, an increase, Year-On-Year, of about 7.90 percent.

As for JW Marriott Hongkong, its gross revenue at its coffee shop was about \$HK5.71 million, representing an increase on the like month of 2007 of about 5.20 percent.

All of the other, above-mentioned hotels recorded negative growth results for the month of October 2008, compared with October 2007.

The biggest loser in terms of diminished gross revenue, brought in at its coffee shop, during the month of October, was experienced at Grand Hyatt Hongkong.

The gross revenue at this hotel's coffee shop came in at about \$HK3.76 million, down about 17.90 percent, Year-On-Year.

The close second to Grand Hyatt Hongkong was Sheraton Hongkong Hotel and Towers.

For the month of October, its coffee shop brought in about \$HK3.60 million, down about 16.90 percent, Year-On-Year.

In third place, in terms of the losers, was Langham Place Hongkong, Mongkok, where the total revenue at its coffee shop was about \$HK3.41 million.

That was a fall, Year-On-Year, of about 14.30 percent.

Peninsula Hotel Hongkong and The Excelsior Hongkong were tied for the honours for the fourth biggest losers in terms of declining revenue at their respective coffee shops.

For the month of October, Peninsula Hotel Hongkong logged in about \$HK4.37 million at its coffee shop, that sum of money, being about 10.40 percent less than the like month in 2007.

As for The Excelsior Hongkong, its coffee shop grossed about \$HK3.91 million in October, down about 10.40 percent, compared with the like month in 2007.

Island Shangri-La Hongkong came in fifth in terms of dwindling revenue at its coffee shop with the grand total for October, being about \$HK6 million, that sum of money, being less than that brought in during October 2007 when the gross revenue was about \$HK6.46 million.

Year-On-Year, the reduction in October's gross revenue at its coffee shop was about 7 percent.

Kowloon Shangri-La, the 'sister' 5-star hotel of Island Shangri-La Hongkong, came in at the Number 6 slot, bringing in about \$HK5.50 million at its coffee shop, during the month of October.

That result represented a fall of about 6.80 percent, compared with the like month in 2007.

In seventh position was The Langham Hongkong, located in Tsimshatsui, in the very heart of the Kowloon tourist belt.

But this hotel only brought in about \$HK2.07 million at its coffee shop, during the month of October, that sum of money, being a fall of about 5.20 percent, compared with revenue from this source in October 2007.

In eighth position, during the month of October, was InterContinental Grand Stanford Hongkong, located in Tsimshatsui East, Kowloon, known, during the past few years for its girlie nightclubs and other girlie things.

According to **TARGET**'s survey, in the month of October, the coffee shop at this hotel saw gross revenue

hit about \$HK2.60 million, a decrease, Year-On-Year, of about 4.50 percent.

In ninth position was Conrad Hongkong which, during October, saw revenue at its coffee shop drop by about 4.10 percent, Year-On-Year, to about \$HK5.33 million.

Lastly, in tenth position was The Park Lane, Hongkong, this hotel, being located in one of the most-densely populated parts of the world, in Causeway Bay, Hongkong Island.

This hotel's coffee shop had gross revenue, during October, of about \$HK3.84 million, representing a fall, Year-On-Year, of about 2.00 percent.

Conclusion: The fact that one, 5-star hotel's coffee shop did better, in terms of gross revenue for any one month than another hotel's coffee shop, does not suggest that one hotel's management is worse than another, although that might well have been the case.

Conversely, the fact that Mandarin Oriental Hongkong and JW Marriott Hongkong managed to record Year-On-Year improvements in their respective gross revenues at their coffee shops for the month of October does not suggest that the managements of these 2 hotels are superior to the managements of those hotels whose coffee shops did not improve their gross revenues at their respective outlets, during the month of October, although that might have been the case.

Further, this medium is not suggesting that one should rank any of the selected hotels, based upon any of the revenue findings for the month of October because that should be left for another party to make a determination.

Also, **TARGET** has refrained from making any comment in respect of the managements, or of the findings of this medium, because that is not the purpose of the 3 parts of the survey of The Hongkong Hotel Survey.

What is the very obvious conclusion with regard to **TARGET**'s survey is that the hospitality industry in the 416 square miles, known as the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), could well be facing a rough time, during the 2009 year.

Lastly, **TARGET** would like to clarify one salient point in respect of this 3-part survey: This medium has not, and never has, suggested that the figures in any way refer to profit because the statistics refer, only, to gross revenue.

The matter of profitability is another consideration, entirely.

This is the final report in respect of this series.

For The Other Two Parts Of This Survey, Please Refer To:

[**TARGET Intelligence Report, Volume X, Number 223**](#)

[**TARGET Intelligence Report, Volume X, Number 218**](#)

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