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Are we entering the "Ancillary Revenue Revolution" in the Hospitality Industry?

By Simone Puerto

IdeaWorksCompany contributed information to this article - - see italics.

To "four airlines," CarTrawler chief commercial officer Aileen McCormack said, ancillary revenue is already the "predominant revenue source." She calls this phenomenon the "ancillary revenue revolution." However, in our industry, up/cross-selling seems to be perceived as mainly a "vanity metric."

A friend of mine always says that "there's no such thing as ancillary sources of revenue. If you're selling a service or a product, that's revenue, period." However, with few exceptions (golf resorts, casinos, SPA hotels, ski resorts), our industry is traditionally room-centric.

The benefits of upselling, however, are numerous:

- Increase in booking value;
- Better guest experience and, consequentially, positive impact on reputation and guest retention;
- A deeper understanding of guests' need to hyperpersonalize their stays;
- Increased direct revenue, as most upsold services/products are sold directly at the hotel and not through intermediaries.

Thinking out of the box of the "usual suspects" (room upgrades, early check-ins/late check-out, stay extensions, F&B, wellness packages, tours and activities, events tickets), how can our industry exploit such a lucrative activity?

Comment by Max Starkov

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Airlines have perfected ancillary revenue strategies and hoteliers should study and learn from the airlines best practices in this respect.

Airlines' ancillary revenue ranges anywhere from 20 percent of total revenue for major airlines to 50 percent for low-cost carriers. According to IdeaWorksCompany, ancillary revenue totalled nearly \$110 billion globally in 2019 and, despite dipping considerably in 2020, garnered more than \$50 billion that year, rising to \$68 billion in 2021. Most notably, ancillaries increased as a share of total global airline revenue in both pandemic years.

Actually, in 2020 for the first time four low-cost carriers — Allegiant, Spirit, VivaAerobus, and Wizz Air — generated more ancillary revenue, or income beyond standard airfares, than they did revenue from ticket sales.

There are significant revenue opportunities outside of room revenue and room upselling and upgrading:

1. Make your property the “hero of the destination”:

Bundling rooms with local places of interest into attractive hotel packages offers significant revenue opportunities. Hoteliers know their destination, local attractions and places of interest better than anybody else. This is where hoteliers can truly outwit the OTAs and Airbnb, and provide real value to their customers.

You can position your hotel as the “hero of the destination” by launching packages, special offers and campaigns that promote a more unique, local experience, such as places of interest and activities, tickets to local attractions and sporting events, local dining, local pub crawls (in future better times), visits to hidden boutiques and local hangouts, and complimentary passes for public transportation or Uber passes. Introduce “live like a local” messaging in your marketing efforts.

Even simple things like selling tickets to sought after museums or museum passes at the front desk or via the concierge can generate significant revenues. By buying museum passes at the front desk of my hotel in Paris I beat what was a minimum of three hour line to purchase museum tickets at the Louvre. The hotel was smart to promote this service on their website!

Do you offer hotel packages and bundled services to target your local, short-haul and drive-in feeder markets, such as:

- Family fun packages
- Activity packages
- Museum packages
- Theater packages
- Theme park packages
- Special occasion packages, etc.
- Weekend specials
- Coronavirus de-stressing packages
- Spa packages

2. F&B Ancillary Revenue:

Open to both hotel guests and locals, F&B can bring significant revenues to any full-service hotel. A few things to consider:

- Cooking classes
- Wine Tastings
- Chef's Menu Dinners
- Converting suites and hotel rooms for private dining.
- Coffee shop+WiFi in the lobby

3. Meeting Facilities and Hotel Spaces:

Opening the empty meeting facilities and hotel spaces to local customers and businesses can unlock great revenue opportunities.

- Co-Working Spaces
- Work-From-Hotel Daily Rates
- Rent-a-conference-room packages
- Pop-up Shops (Roger Smith Hotel in New York City)
- Showrooms
- Art Galleries
- Book Signings