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CANADIAN MONTHLY LODGING OUTLOOK

CANADIAN HOTEL RESTAURANT TRENDS

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Canadian Hotel Restaurant Trends

The article briefly outlines the challenges that food and beverage outlets in hotel have faced in the past, as well as recent and current trends that are occurring to address these challenges.

The common hotel restaurant has undergone significant changes in the past decade as a result of shifting consumer tastes, economic trends, and perceived revenue-generating ability. What was once a basic amenity to satisfy the needs of travellers has begun to shift into a dynamic conceptually based restaurant that adds to the overall guest experience and increases local awareness and brand image, all the while increasing overall profitability. Traditionally, the hotel restaurant was owned and operated by the hotel. The name, the design, and the menu were all an extension of the brand and usually similar from market to market. Guest convenience was the restaurant's primary purpose, and little attention was given to the competitiveness of these restaurants in their local markets.

As operators realized the missed opportunity, these restaurants and their images began to change.¹ Gateway cities such as Vancouver, Toronto, Calgary, and Montreal are setting a new standard in hotel dining. In these markets, upscale and luxury hotels are popping up with top-tier restaurants tied in directly to the hotel operation. Meanwhile, mid-scale properties are looking to simply increase efficiencies or cut losses through the use of co-branding.

Challenges

Many challenges plague hotel restaurants, resulting in higher costs and inefficiencies, such as extensive hours of operation, room service needs, and broad menu design. The hotel restaurant must maintain longer hours than a regular restaurant, and for guest convenience separate menus are often required for breakfast, lunch, and dinner. In addition, the hotel restaurant must cater to different traveller segments, which necessitates a broad menu. These factors lead to excess waste and the inability to streamline menus to achieve maximum cost efficiencies even as food prices soar.

Since the hotel restaurant is an extension of the hotel's design, the restaurant space is less adaptive than a freestanding restaurant. Rapidly changing consumer trends cause hotel restaurants to fall behind in perceived value because menus, design and atmosphere cannot be adjusted quickly without sacrificing conformity to the hotel. Overall, the hotel restaurant in Canada suffers from a reputation of being bland and overpriced. Until recently, it was unable to entice consumers from outside the pool of captured hotel guests.

The food and beverage programs in Canadian hotels have not kept up with current trends because these outlets are

¹ Tejal Rao. "The New Hotel Cuisine." May 2007. Retrieved 15 Aug. 2011.
<<http://www.starchefs.com/features/trends/concept/index.shtml>>.

not major profit generators for most Canadian hotels. Although they may account for up to 50% of the hotel's revenues, the returns can be minimal, as low as 10% after raw costs, labour, and supplies are absorbed.

Trends

New hotels are now embracing food and beverage programs as never before. Guests are demanding more experience and value from their hotel stay, and this higher expectation extends to the dining experience.

For mid-scale properties, the trend is to build restaurant pads on the hotel property and lease them to brand-name restaurant chains. The guest has the convenience of a restaurant in the hotel lot, and the owner receives a steady income on rent or profit sharing without the obligation of operating the restaurant. However, the hotelier has little say in the food and beverage operation and how it deals with guests. While operators may see these two operations as separate, this co-branding strategy creates a symbiotic relationship in the guest's mind.² The guest will associate a positive or negative experience at the restaurant with the hotel itself. The conformity between the hotel brand and the restaurant brand must be considered to ensure perceived value to the guest.³ Tony Roma's Bar and Grill, which can be found next to a Days Inn or Best Western, is an example of restricted co-branding; the restaurant merely exists on the lot, but the two often do not actively advertise together. A more active relationship can be found between Denny's, Moxie's and the Sandman Hotel Chain where the partnerships actually market themselves together, maximizing their capture rate. In these scenarios, the restaurant often benefits more from the arrangement than the hotel, as the hotel induces demand for the restaurant but the restaurant merely serves as an amenity for hotel guests and does not actually draw demand to the hotel.

In upscale and luxury properties, developers are including restaurant concepts that cater to the local market, not exclusively to the hotel brand. These hotel restaurants are being positioned to compete with freestanding restaurants, capture local diners, and become a destination in their own right. Two examples are Cibo Trattoria in the Moda Hotel in Vancouver, which was voted number one of the top ten new restaurants in Canada by Enroute magazine in 2009,⁴ and the Charcut Roast House in Le Germain Hotel Calgary, which was also named one of Canada's top ten restaurants by the same source the following year.⁵ These restaurants are aggressively marketed with an emphasis on local produce, talented chefs, and design concepts that make them stand out in the local market. In contrast to the leased or purchased restaurant pad scenario, the chefs or restaurateurs tend to own only a stake in the restaurant, often putting up their own equity in the restaurant that is directly attached to or within the hotel lobby.⁶ In this scenario, both the restaurateur and the hotel have a say in the restaurant design and operations, and both parties benefit from mutually successful operations. In this case, the restaurant creates awareness for the hotel and actually induces a small amount of demand for the hotel.

² Ann Suwaree Ashton. "Hotel Restaurant Co-branding: Consumer Evaluation of Perceived Risk and Intention to Purchase." *Tourism: Creating a Brilliant Blend*. CAUTHE 2011 National Conference. Adelaide, S.A.: University of South Australia School of Management, 2011: 904-907.

³ A. S. Ashton, N. Scott, D. Solnet, & N. Breakey (2010). *Hotel Restaurant Dining: The relationship between perceived value and intention to purchase*. *Tourism and Hospitality Research*, pg 206-218

⁴ Chris Nuttall-Smith. "Canada's 10 Best New Restaurants." *Enroute Magazine*. Nov. 2009. <<http://enroute.aircanada.com/en/articles/canada-best-new-restaurants-2009>>.

⁵ Sarah Musgrave. "Canada's Best New Restaurants 2010." *Enroute Magazine*. Oct. 2010. <<http://enroute.aircanada.com/en/articles/canada-best-new-restaurants-2010>>.

⁶ Tejal Rao. "The New Hotel Cuisine." May 2007. Retrieved 15 Aug. 2011. <<http://www.starchefs.com/features/trends/concept/index.shtml>>.

Celebrity chefs have also begun to enter the restaurant scene at Canadian luxury hotels. This trend started in Vancouver with the Shangri-La and the Michelin-starred chef, Jean-Georges Vongerichten, and continued with the opening of the Ritz-Carlton Toronto and its partnership with local celebrity chef, Tom Brodi, creating TOCA. The new Hotel Georgia in Vancouver has the name of local celebrity chef David Hawksworth on the front door. These partnerships between hotelier and chef are giving more creative license to the hotel restaurateur, as celebrity chefs have already proven their name and created a brand for themselves. This creativity has the potential to turn the restaurant into a destination, giving patrons a feeling of value, which then extends to the hotel itself; however, some hoteliers can find it difficult to offer such creative license, as the extension of value mentioned earlier can be negative or positive. This co-branding between a personality and a hotel brand carries some risk.⁷

As hotel restaurants begin to catch up to North American culinary trends, we will begin to see more risk taken by operators to compete in local markets. Last year's launch of 100 Days in the Opus Hotel Vancouver was a risk that paid off. The concept was a pop-up restaurant, a new trend in restaurants popular in London, New York, and LA, which creates a temporary restaurant space and menu for a set period of time. Its short lived nature (open for 100 days) is what enticed people to come out of sheer curiosity. The restaurant and adjoining hotel received significant publicity, and became a hotspot in the city. This example was proof that the hotel restaurant can be adaptive and competitive in their local market.

Conclusion

The culinary world will continue to penetrate the hospitality industry ever more deeply. Guest expectations will continue to rise with a focus on value, image, and experience. Dining is one area that the Canadian hotel market has not fully tapped, but this situation will improve in the coming years as hoteliers and restaurateurs develop new hotel-restaurant partnerships and realize the potential to mutually benefit from opportunities to induce demand. As success grows, brands and hoteliers may begin to build multi-property partnerships with chefs. With rising revenues, increased efficiencies can be achieved, and overall food and beverage costs should begin to decrease.



About the Author

Andrew Higgs is a hotel Consulting and Valuation Associate with the HVS Vancouver office in Canada. Andrew received his Bachelor of Commerce at Ryerson University's Hospitality and Tourism Management program and has spent several years in various managerial roles in Toronto's restaurant industry.

⁷ Chris Nuttall-Smith. "Canada's 10 Best New Restaurants." *Enroute Magazine*. Nov. 2009. <<http://enroute.aircanada.com/en/articles/canada-best-new-restaurants-2009>>.

Canadian Lodging Outlook July 2011

STR and HVS are pleased to provide you with the month's issue of the Canadian Lodging Outlook. Each report includes occupancy (Occ), average daily rate (ADR), and revenue per available room (RevPAR) for three major markets and the Provinces.

If you would like a detailed hotel performance data for all of Canada, STR offers their Canadian Hotel Review. The Canadian Hotel Review is available by annual subscription which includes both monthly and weekly issues. Each monthly issue of the Canadian Hotel Review also includes an analysis provided by HVS. Please contact Erin Hannigan, Canada Sales Executive, at erin@str.com or 615-824-8664 ext. 3313. You may also contact any of their other sales executives at info@str.com or 615-824-8664 ext. 3504.

July 2011	Occupancy Rate (%)		Average Room Rates (\$CAD)		REVPAR (\$CAD)		Room Supply	Room Demand	Number of Rooms	
	2011	2010	2011	2010	2011	2010	% chg	% chg	Sample	Census
Montreal	77.0%	68.9%	\$135.44	\$129.63	\$104.29	\$89.32	-0.1%	11.6%	16,815	27,928
Toronto	73.3%	74.0%	\$126.36	\$125.06	\$92.62	\$92.54	4.0%	3.1%	31,341	37,209
Vancouver	81.4%	77.5%	\$153.13	\$152.59	\$124.65	\$118.26	0.0%	5.1%	19,118	26,323
Provinces										
Alberta	70.4%	67.1%	\$146.26	\$147.12	\$102.97	\$98.72	2.6%	7.6%	36,886	67,437
British Columbia	77.2%	74.3%	\$146.54	\$145.83	\$113.13	\$108.35	0.6%	4.6%	35,858	83,831
Manitoba	72.1%	71.8%	\$110.15	\$111.06	\$79.42	\$79.74	2.7%	3.1%	4,946	13,864
New Brunswick	75.3%	76.2%	\$119.99	\$117.89	\$90.35	\$89.83	0.8%	-0.3%	5,396	11,435
Newfoundland	91.6%	91.3%	\$143.88	\$139.71	\$131.79	\$127.56	0.7%	1.0%	1,876	5,879
Nova Scotia	75.2%	76.6%	\$123.33	\$122.75	\$92.74	\$94.03	1.6%	-0.2%	6,310	13,013
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	187	1,543
Ontario	71.1%	70.7%	\$124.34	\$123.67	\$88.41	\$87.43	1.5%	2.0%	84,558	138,798
Prince Edward Island	79.1%	81.9%	\$139.76	\$142.12	\$110.55	\$116.40	0.3%	-3.3%	1,013	4,093
Quebec	76.4%	71.0%	\$138.89	\$133.49	\$106.11	\$94.78	-0.4%	7.2%	27,599	78,113
Saskatchewan	72.7%	70.8%	\$118.74	\$116.92	\$86.32	\$82.78	1.4%	4.2%	7,219	16,953
Yukon Territory	80.8%	81.2%	\$117.09	\$117.56	\$94.61	\$95.46	0.0%	-0.4%	864	2,265
Canada	73.3%	71.3%	\$133.52	\$132.31	\$97.87	\$94.34	1.1%	3.9%	212,712	437,638

July 2011 Year-To-Date	Occupancy Rate (%)		Average Room Rates (\$CAD)		REVPAR (\$CAD)		Room Supply	Room Demand	Number of Rooms	
	2011	2010	2011	2010	2011	2010	% chg	% chg	Sample	Census
Montreal	63.9%	59.9%	\$136.31	\$133.01	\$87.10	\$79.67	-0.3%	6.4%	16,815	27,928
Toronto	67.1%	67.4%	\$132.72	\$134.52	\$89.06	\$90.67	3.1%	2.7%	31,341	37,209
Vancouver	66.8%	68.6%	\$142.33	\$158.14	\$95.08	\$108.48	0.2%	-2.5%	19,118	26,323
Provinces										
Alberta	60.3%	57.2%	\$133.97	\$134.71	\$80.78	\$77.05	3.0%	8.5%	36,886	67,437
British Columbia	60.9%	61.6%	\$135.86	\$150.25	\$82.74	\$92.55	0.8%	-0.4%	35,858	83,831
Manitoba	64.3%	65.3%	\$111.77	\$111.14	\$71.87	\$72.57	1.5%	-0.1%	4,946	13,864
New Brunswick	54.7%	54.8%	\$111.86	\$110.28	\$61.19	\$60.43	2.2%	2.0%	5,396	11,435
Newfoundland	69.4%	69.7%	\$131.58	\$128.69	\$91.32	\$89.70	0.3%	-0.1%	1,876	5,879
Nova Scotia	59.3%	59.5%	\$118.32	\$116.61	\$70.16	\$69.38	1.4%	0.9%	6,310	13,013
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	187	1,543
Ontario	60.5%	59.7%	\$121.66	\$122.47	\$73.60	\$73.11	1.5%	2.8%	84,558	138,798
Prince Edward Island	51.1%	47.4%	\$108.65	\$113.41	\$55.52	\$53.76	0.0%	7.8%	1,013	4,093
Quebec	61.6%	59.1%	\$134.40	\$131.19	\$82.79	\$77.53	-0.3%	4.0%	27,599	78,113
Saskatchewan	67.1%	67.6%	\$121.60	\$119.10	\$81.59	\$80.51	2.7%	1.9%	7,219	16,953
Yukon Territory	62.9%	62.1%	\$105.47	\$104.13	\$66.34	\$64.66	-0.1%	1.2%	864	2,265
Canada	60.8%	59.8%	\$127.37	\$129.74	\$77.44	\$77.58	1.3%	3.0%	212,712	437,638



About STR

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