



Phocuswright
Powering great decisions.

Phocuswright White Paper

THE FUTURE OF ROOM SERVICE: Craving for in-room dining, food delivery and online grocery delivery trends among U.S. travelers

June 2019

In cooperation with

iSeatz

Written and researched by
Peter O'Connor

iSeatz

To Our Readers,

When I founded iSeatz in 1999 it was to solve a problem – making restaurant reservations was an absolute pain, especially when traveling. Our first product enabled hotel concierges to help their guests find and reserve seats at the great culinary establishments in our hometown of New Orleans.

We wanted to revisit our roots of providing technologically-advanced dining opportunities to hotel guests by commissioning this survey on in-room dining. The objective of The Future of Room Service is to understand the modern travelers' needs and interests around in-room dining; and potential solutions to lift the operational burden hoteliers face with traditional room service. Reserving a restaurant today is accomplished easily through tools like Google and OpenTable, so why has in-room dining failed to evolve since the 1960's? It is time to think beyond, and explore what dining at a hotel looks like two, five, and 10 years from now.

When hoteliers spoke to us about their desire to fully service their guests, we set out to help them offer nearly everything a hotel guest might need during their stay – dining options, local activities, live event tickets, air, car rental, and trip insurance. The iSeatz OneView platform is a cost-efficient way for a hotel to offer these travel extras online, customized for their brand and loyalty program.

I hope you find value in the research. It fits into our mission of enabling our partners to provide beautiful travel shopping experiences for their customers' remarkable journeys.



Kenneth Purcell
Founder/CEO
iSeatz
iSeatz.com

About **iSeatz**

Founded in 1999 and based in New Orleans, iSeatz is a leading travel commerce and ancillary merchandising technology company for travel, financial services and entertainment brands. Focused on customization and backed by proven deliverability, reliable advanced analytics and travel lifecycle expertise, iSeatz sets the bar for a superb travel journey from the very first search through their custom booking solutions and ancillary management systems (AMS).

The award-winning iSeatz OneView platform meets brands' exact requirements for delivering a highly personalized and engaging commerce experience that drives conversion, customer satisfaction and advocacy. iSeatz travel technology solutions connect people to unique travel journeys, generating over \$2.5 billion in annual sales for our partners each year from more than three million annual bookings. The iSeatz partner portfolio includes brands such as American Express, Air Canada, Amtrak, Expedia, and IHG. Learn more at [iSeatz.com](https://www.iseatz.com).

About Phocuswright

Phocuswright is the travel industry research authority on how travelers, suppliers and intermediaries connect. Independent, rigorous and unbiased, Phocuswright fosters smart strategic planning, tactical decision-making and organizational effectiveness.

Phocuswright delivers qualitative and quantitative research on the evolving dynamics that influence travel, tourism and hospitality distribution. Our marketplace intelligence is the industry standard for segmentation, sizing, forecasting, trends, analysis and consumer travel planning behavior. Every day around the world, senior executives, marketers, strategists and research professionals from all segments of the industry value chain use Phocuswright research for competitive advantage.

To complement its primary research in North and Latin America, Europe and Asia, Phocuswright produces several high-profile conferences in the United States and Europe, and partners with conferences in China, Singapore and the United Arab Emirates. Industry leaders and company analysts bring this intelligence to life by debating issues, sharing ideas and defining the ever-evolving reality of travel commerce.

Phocuswright also operates [PhocusWire](#), a media service that covers the world of digital travel 365 days a year with a range of news, analysis, commentary and opinion from across the travel, tourism and hospitality sector.

The company is headquartered in the United States with Asia Pacific operations based in India and local analysts on five continents.

Phocuswright is a wholly owned subsidiary of [Northstar Travel Media, LLC](#).

Contents

Table of Contents

Overview	7
Research Methodology	8
Traveler's perceptions of in-room dining	9
The hotel's perceptions on in-room dining	14
The future of in-room dining	15
Food delivery at hotels	16
The hotel's perspective on third-party food delivery platforms	22
Online grocery delivery and travelers	22
The hotel's perspective on online grocery delivery	26
Conclusion	27

Contents

Table of Charts

Figure 1	9	Figure 12	21
Room Service Use by Market Segment		High Satisfaction Levels With Food Delivery	
Figure 2	10	Figure 13	21
In-Room Dining by Hotel Segment		Driving Additional Food Delivery Platform Use	
Figure 3a	11	Figure 14	23
Room Service Use by Length of Stay and Frequency of Orders		Frequency of Online Grocery Delivery Services Use While Traveling	
Figure 3b	11	Figure 15	23
Room Service Use by Length of Stay and Frequency of Orders		Traveler Use of Online Grocery Delivery by Hotel Segment	
Figure 4	12	Figure 16a	24
Drivers of Room Service Usage		Online Grocery Delivery Usage by Length of Stay and Frequency of Orders	
Figure 5	13	Figure 16b	24
Satisfaction With Room Service Experience		Online Grocery Delivery Usage by Length of Stay and Frequency of Orders	
Figure 6	13	Figure 17	25
Loyalty Points a Potential Driver of Room Service Use		Satisfaction With Grocery Delivery	
Figure 7	16	Figure 18	25
Use of Food Delivery Services at Home		Driving Additional Grocery Delivery Platform Use	
Figure 8	18		
Who uses food delivery services while traveling?			
Figure 9	18		
Use of Food Delivery Platforms by Hotel Segment			
Figure 10a	19		
Food Delivery Platform Usage by Number of Nights and Frequency of Orders			
Figure 10b	19		
Food Delivery Platform Usage by Number of Nights and Frequency of Orders			
Figure 11	20		
Reasons for Ordering Food Delivery			

The Future of Room Service: Craving for in-room dining, food delivery and online grocery delivery trends among U.S. travelers

Overview

Napoleon famously stated that an army marches on its belly, and this is also true for modern travelers. For travelers, food is an integral part of their overall travel experience. Eating well is an essential component of their trip for 7 out of 10, while a similar number like to experience local cuisines while traveling. That being said, 6 out of 10 are budget-conscious about food costs while travelling. This frugality may be one of the issues driving the recent growth of third-party food delivery platforms and online grocery delivery services as alternative dining options for travelers, particularly during longer trips.

Traditional room service remains a popular option for in-room dining, and is used by over two thirds (67%) of travelers. Although comparatively new, ordering from third-party food delivery platforms is rapidly catching up, with 62% of respondents having used such a service while traveling over the past year. Ease and convenience are the key motivations for either option, and satisfaction with both is high. Variety, availability and perceived value are the key differentiating factors between these two alternatives. The question of value is especially important: traditional room service is perceived as comparatively expensive by most guests.

Ironically, offering traditional room service is also perceived as expensive by hotels. Providing room service is known to be uneconomical in most cases, despite additional delivery charges that serve as incremental revenue but reinforce guests' perceptions of high prices. It requires investment in dedicated and specialized equipment, as well as expensive staff to cope with what can be a highly variable level of demand. Most hotels claim that they would prefer to eliminate the provision of room service if given the choice. However, most are currently obliged to maintain it, either because of guest expectations (particularly in luxury and, to a lesser degree, upmarket-properties), or because of brand requirements.

It's clear that hotel room service will change. Many properties have already introduced more restricted operating hours and limited menu selections to help reduce ballooning

costs. Resulting service gaps are filled with more casual, 'grab-and-go' facilities in the lobby. Others are experimenting with a more casual food delivery platform-inspired style of in-room dining. Several of the major chains, including Wyndham and IHG, are actively rolling out such solutions.

Third-party food delivery platforms are gaining increased traction with travelers and offer the potential to supplement or replace traditional room service, particularly in metropolitan areas with a deep pool of restaurants. Motivators for food delivery platform use as opposed to traditional room service include ease, convenience and more varied product selection—but surprisingly not value. Such services are particularly popular among younger, mobile-enabled travelers who are already familiar with ordering from such platforms while at home. However, usage is not limited to this population. All generations of travelers are making increased use of these services, resulting in hotels increasingly leaking potential revenue.

In contrast, online grocery delivery platform use remains the exception rather than the rule, even in properties with in-room kitchen or other cooking facilities. There is currently little evidence that online grocery delivery is being widely used by travelers outside of extended-stay properties, with only 28% of travelers having used this service in the past year. In any case, lodging properties appear to be ill-equipped to deal with guests ordering (particularly fresh) products for delivery. Most properties noted that it was not a phenomenon that they were seeing frequently, if at all, although some could see the potential of providing such a service to their guests in the future.

Research Methodology

Our study of current developments in in-room dining was approached from two complementary angles. Initially, to understand the demand side, Phocuswright carried out a mass online consumer survey in March 2019 through *Dynata*, targeting the general U.S. adult population who has internet access. To qualify for participation, respondents had to have taken at least one trip at least 75 miles from home in the past 12 months that included paid lodging. Phocuswright received 800 qualified responses, which can be projected with confidence onto the U.S. online traveler population. The error interval for analysis is +/-3.5% at a 95% confidence level.

Respondents were diverse in terms of age, ranging from 18 to beyond retirement, with a mean of 43.6 years and with 52% of respondents under 44 years old. At 53%, men were slightly in the majority. In general respondents were well-educated, with nearly three quarters having attended or graduated from college. The mean annual income among respondents was US\$76K. Most respondents traveled frequently, with the average number of trips per year for leisure and business travelers being 2.7 and 2.3 trips per year, respectively. In both cases, the vast majority of stays were in hotel-type properties, with only 1 in 10 indicating that they had made use of alternative forms of accommodation such as vacation rentals / timeshare / B&Bs, etc. And, linked to this, nearly two out of three (58%) were members of one or more of the major hotel loyalty programs.

To complement this quantitative data and better understand how in-room dining is perceived by hotel personnel, Phocuswright also conducted a series of in-depth, 30-minute telephone interviews with key personnel within the U.S. hotel sector. Those interviewed were representatives of both chains and independent properties, and included a mix of general managers and food and beverage managers across all segments of the industry.

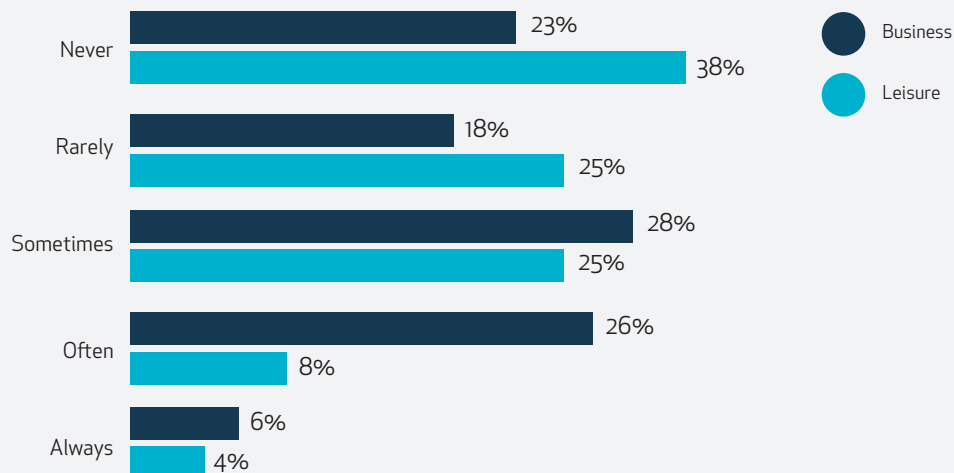
Both studies provided highly complementary findings which allowed Phocuswright to develop a more comprehensive understanding of what is currently happening with in-room dining, food delivery platforms and online grocery delivery, and where it might go in the future.

Travelers' perceptions of in-room dining

Food is an integral part of the travel experience. Most travelers regard dining as a vital component of their trip and typically want to experience local cuisines in order to do more than just satisfy their physical hunger. This desire helps explain why dining in restaurants (in-house or external) is the most common way to dine among travelers, with 67% of respondents 'only' or 'usually' partaking of this option. However, a similar number (66%) at least 'occasionally' make use of in-room dining, so understanding the role of this option in the travel experience remains important.

In-room dining is most frequently used by business travelers, with 60% 'sometimes', 'often' or 'always' making use of this option (see Figure 1). However, this varies considerably by hotel category. While room service usage is most common in upscale and

Figure 1:
Room Service Use by Market Segment



Question: How often did you order room service at a hotel while traveling for business/leisure in the past 12 months?

Base: N=220/790

Source: The Future of Room Service



©2019 Phocuswright Inc. All Rights Reserved.

midscale properties, leisure travelers are the more frequent users at the higher end of the market, with nearly half of leisure travelers who stay in upmarket properties making use of this in-room dining option (see Figure 2).

Usage is understandably lower in budget properties, where limited availability and product selection typically make room service a less attractive proposition. However, the low level of usage for both luxury and resort type properties was surprising. Some hotel managers speculate that this might be related to experience issues, with guests preferring to make use of the superior dining options available in properties of this type rather than simply eating alone in their room.

In-room dining is also mostly ordered during multi-night trips: only 7.6% on average order it during a single-night stay. Three-night stays are the most common scenario, particularly for business travelers (see Figure 3a). Usage patterns differ significantly by traveler type, with leisure travelers typically ordering just once but business travelers more likely to order multiple times during their stay (see Figure 3b).

In terms of drivers of room service use, convenience is the clear winner. Overall, nearly two out of three travelers have ordered room service because of its ease and convenience, with other motivators trailing significantly (see Figure 4). This holds true even when the hotel property offers alternatives such as on-property restaurants or cooking facilities in the room.

Figure 2:
In-Room Dining by Hotel Segment

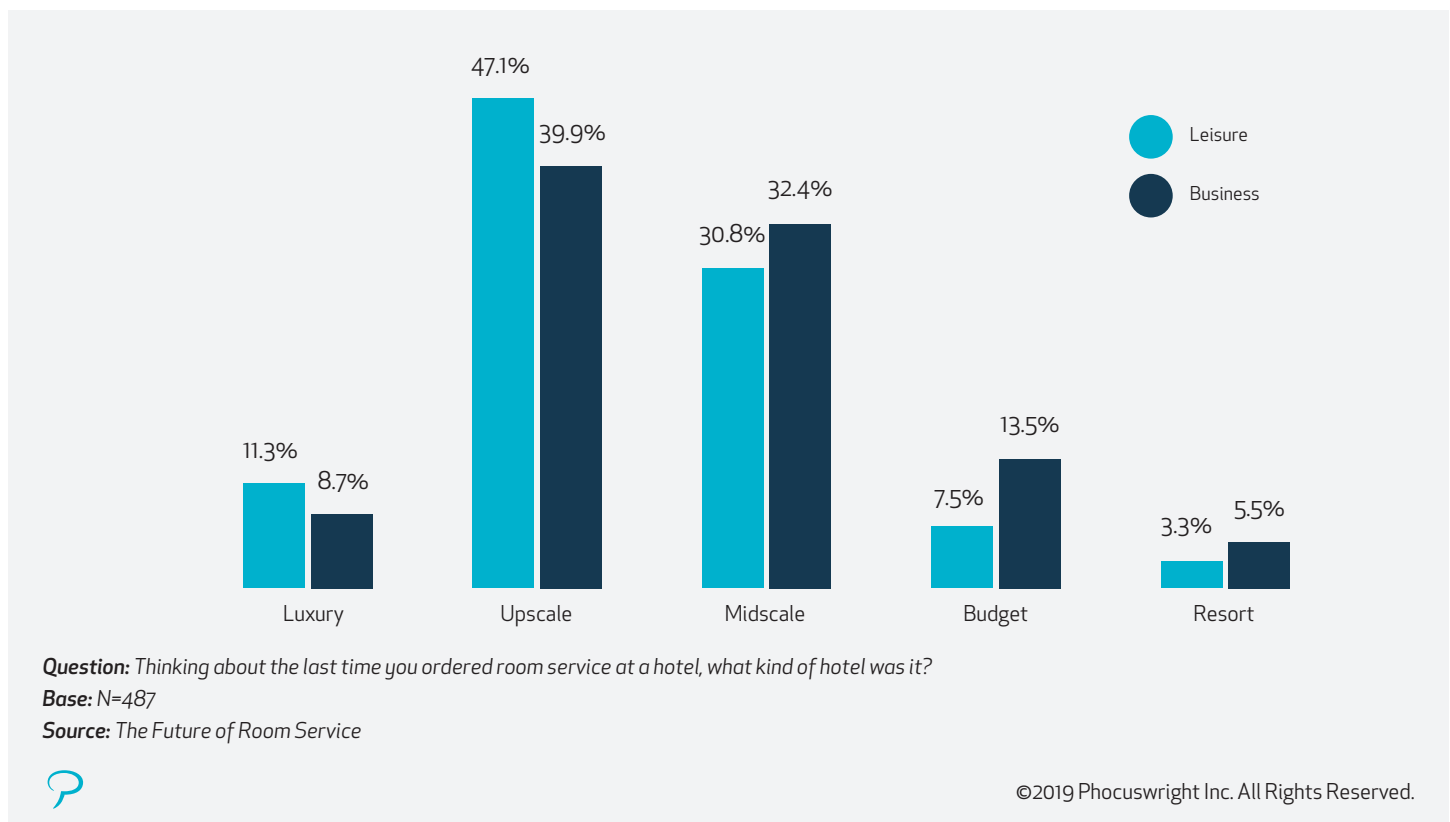


Figure 3a:
Room Service Use by Length of Stay and Frequency of Orders

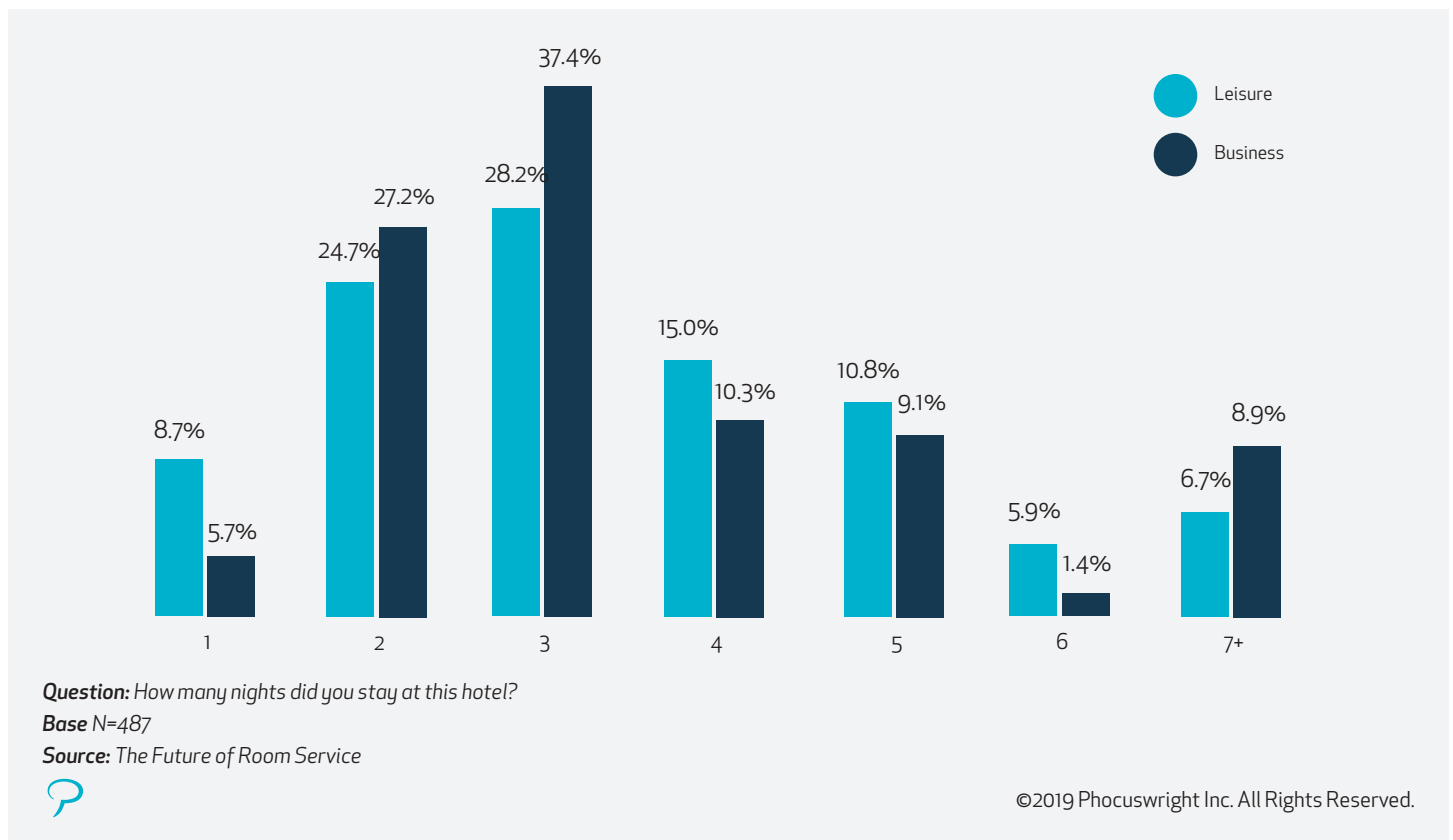


Figure 3b:
Room Service Use by Length of Stay and Frequency of Orders

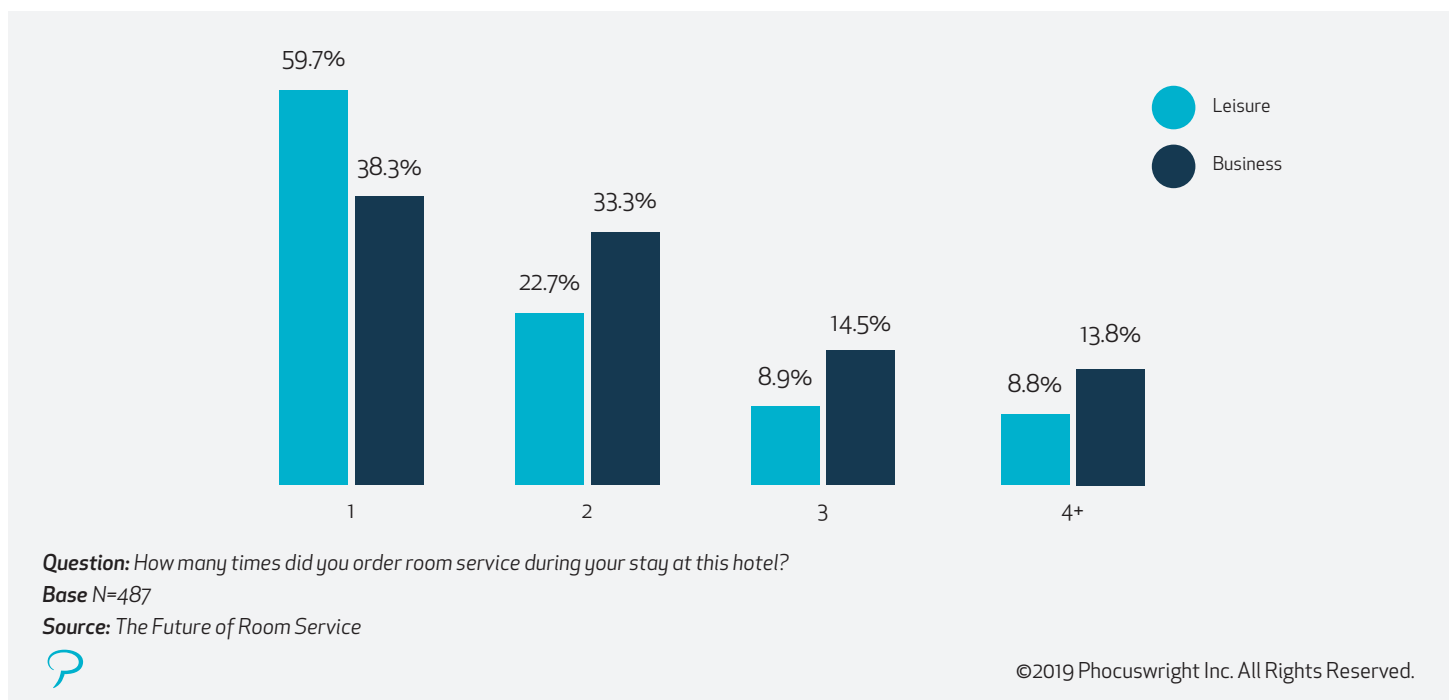
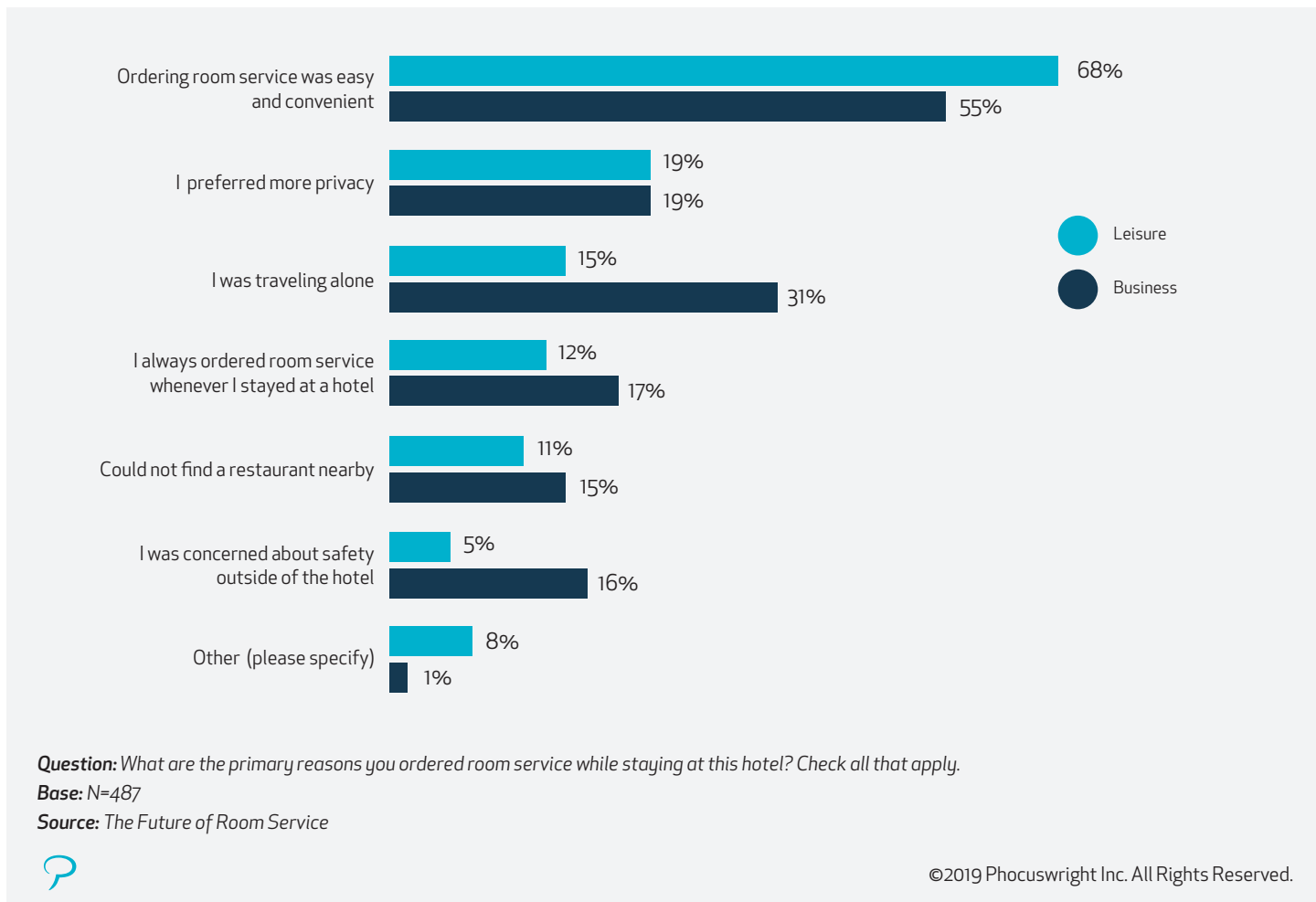


Figure 4:
Drivers of Room Service Usage



In addition to convenience, business travelers in particular highlighted how they often travel alone, and perhaps do not want to sit alone in a formal restaurant. And perhaps related to the fact that they are often traveling solo, business travelers were typically more concerned about safety and security, again prompting them to use the room service option rather than attempt to dine outside the hotel property.

Overall guest satisfaction levels were high with current in-room dining options. For example, more than two out of three respondents rated food quality, hours of availability, delivery time and staff courtesy to be either ‘good’ or ‘excellent’ (see Figure 5). Menu choices and value ranked less favorably, although still relatively well, with only 59% and 50% respectively ranking these as ‘good’ or ‘excellent’. In fact, perceived value for money, in relation to the price paid for the product delivered, was identified as the key challenge in terms of customer satisfaction, and may be one of the forces driving increased use of third-party food delivery sites by increasingly budget-conscious travelers.

Hotels need to capitalize on travelers’ desire for convenience if they wish to drive additional in-room dining revenue. Finding ways to reduce friction and make it even simpler for guests to order and use the in-room dining options would undoubtedly prompt increased use. Connecting in-room dining more explicitly with the hotel’s

Figure 5:
Satisfaction With Room Service Experience

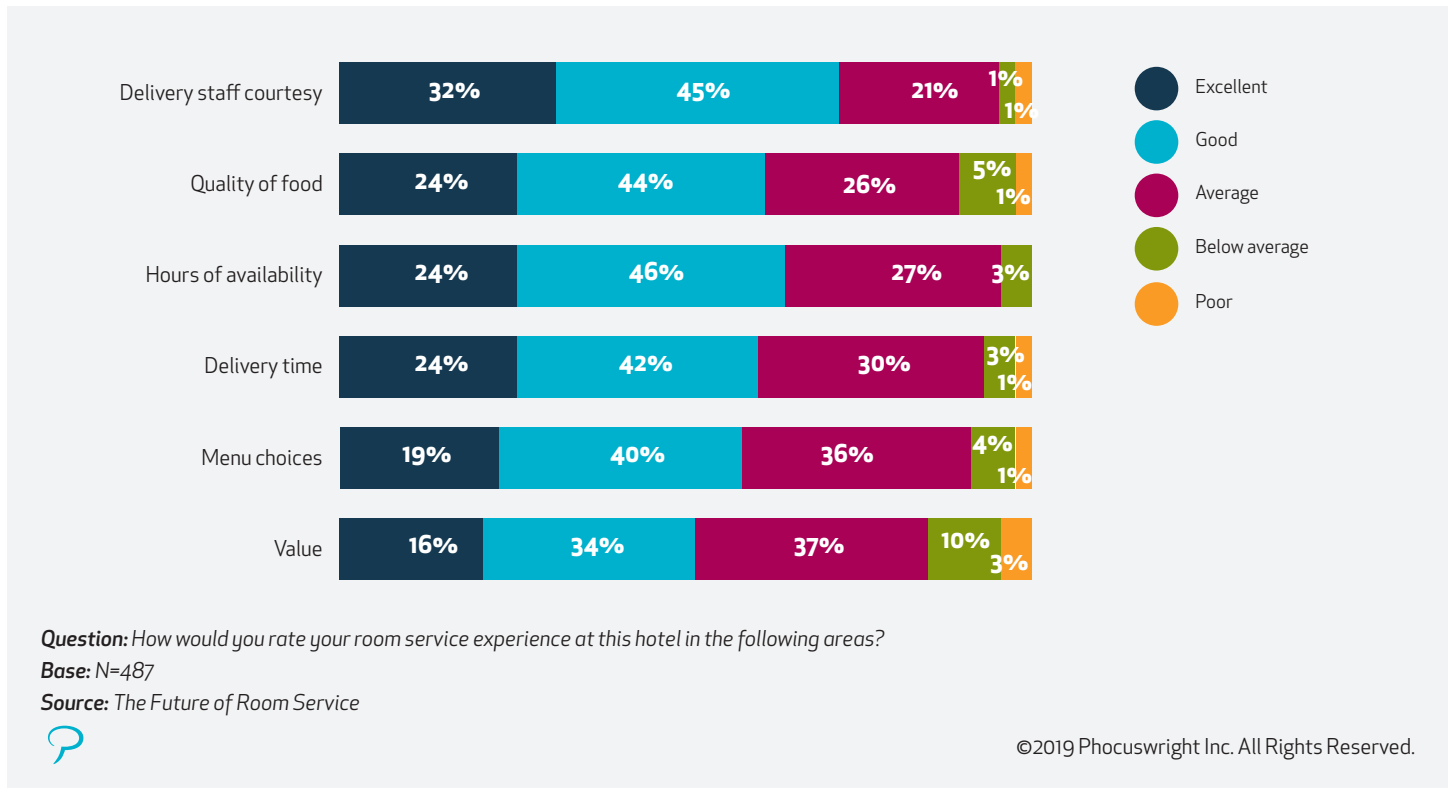
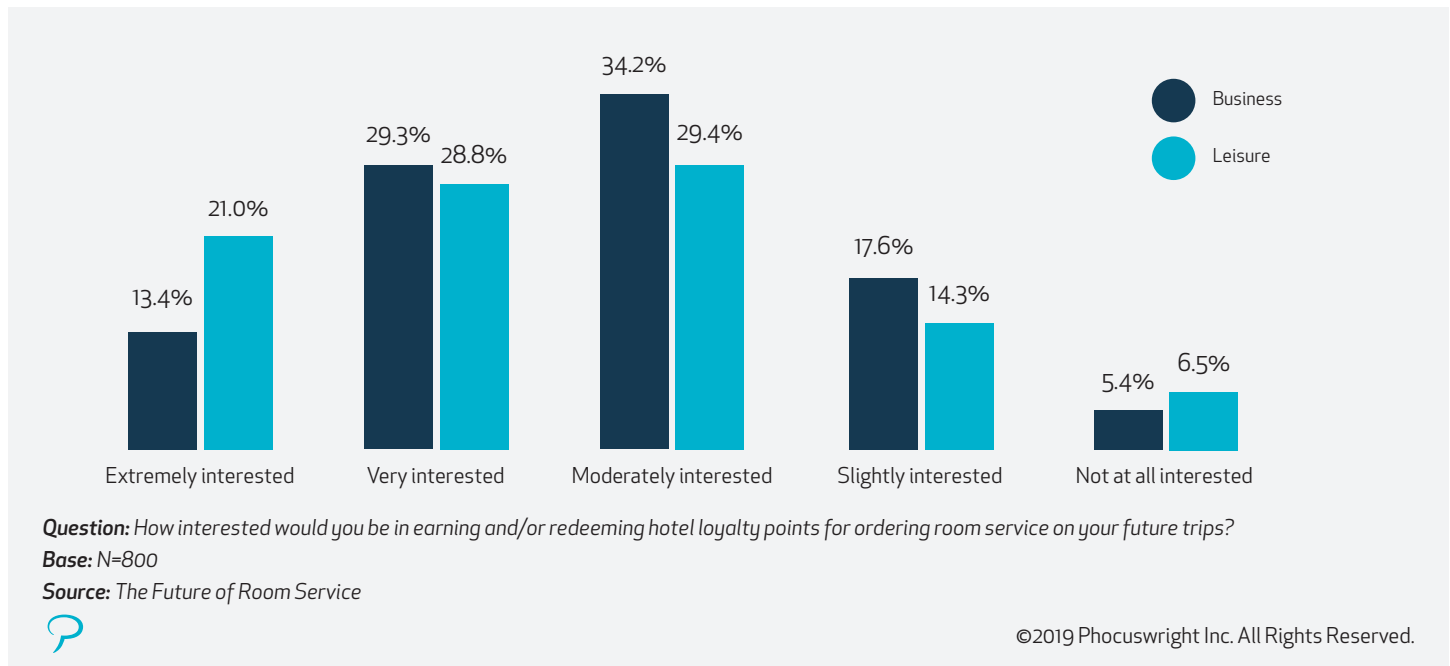


Figure 6:
Loyalty Points a Potential Driver of Room Service Use



loyalty program could also help. More than three quarters of travelers stated that they would be interested in earning or microburning loyalty points for ordering room service (see Figure 6). More tightly integrating these two issues could be a compelling way of encouraging increased room service use. The big question is whether hotels actually want to do this.

The hotel's perspective on in-room dining

Although it might seem counterintuitive, whether hotels actually want to grow room service use is an interesting question. Offering room service to guests in most hotels is a loss leader. For example, STR estimates that hotels with significant room service activity underperform those that don't. In 2018 the average F&B departmental profit was 28.4% for all U.S. full-service hotels, but only 23.2% for properties with significant in-room dining revenue, demonstrating that providing this service has a negative effect on hotel performance. Despite this, room service is often maintained because of outdated brand standards or, to a lesser extent, due to customer expectations, particularly in luxury properties.

Why then is in-room dining so unprofitable? Challenges can be broken down into three main areas:

- 1. Complex operations:** Low volume combined with the need for dedicated staff, facilities and equipment combine to make room service difficult to deliver in a consistent, high-quality manner. Depending on the star rating of the hotel, extended hours of operation need to be maintained, significantly increasing costs. It can also be difficult for the hotel to provide a sufficient choice of menu items to interest the majority of guests unless there is high volume, again leading to dissatisfaction. And the time delay and distance involved in the delivery of the food items to the room means that there can be challenges with both temperature and food quality. Lastly, used room service trays/trolleys need to be picked up promptly before they create a bad impression in hotel corridors.
- 2. Staffing:** With usage levels both relatively low but at the same time highly variable (both by time of day and seasonally), many hotel properties have challenges finding sufficient, appropriate staff to be able to deliver acceptable service levels. In particular, the unpredictability in terms of order volumes makes it difficult to find quality staff willing to work anti-social hours when they can get better, and more consistent, tip returns by working in traditional restaurant operations.
- 3. Economics:** The biggest challenge with in-room dining from the hotel's perspective is the economics of providing the service. Most of the profitability challenges relate to the need for dedicated labor, facilities and equipment. Traditionally, maintaining a staff of order takers, wait/delivery staff and sometimes even cooks was the norm. As a result, the labor costs associated with in-room dining are high, particularly in highly unionized properties where additional guaranteed gratuities are negotiated on top of the hourly wage. In addition, capital infrastructure costs like dedicated

"Why would I promote my in-room dining? I lose a fortune on every order!"

They predict traditional room service will gradually disappear from all but the more luxury establishments

equipment, service lifts and frequent pilferage and breakages all drive up the overall cost of providing an in-room dining experience.

While some of these costs can be offset by adding an additional delivery or tray charge to the guest bill, rarely does this cover the full operational cost of providing the service. In addition, it further increases price, discouraging business and further reducing volume—a challenge given the already high level of fixed costs. As a result, except in a select number of high-volume business or convention properties, few hotels make money from in-room dining. Many no longer actively promote in-room dining, preferring instead to drive hungry patrons to their restaurant and bar outlets. The situation is well-summarized by the F&B manager of a well-known New York City hotel who exclaimed, "Why would I promote my in-room dining? I lose a fortune on every order!"

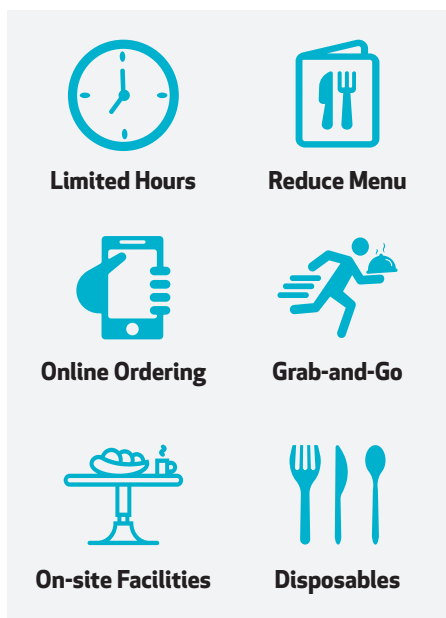
Thus, despite negative consumer perceptions about value, providing room service facilities in most hotels is a loss leader. Except for a select number of high-volume business or convention properties, few make money from providing this service to their customers. Often it is maintained because of outdated brand standards or, to a lesser extent, due to customer expectations, particularly in luxury properties. However, hotel managers face increased expectations to maximize returns to the owner, and feel that this scenario cannot continue in the long term. They predict traditional room service will gradually disappear from all but the more luxury establishments.

While some of these costs can be offset by adding an additional delivery or tray charge to the guest bill, rarely does this cover the full operational cost of providing the service. In addition, it further increases price, discouraging business and further reducing volume - a challenge given the already high level of fixed costs. Many properties no longer actively promote their in-room dining option because of tight or non-existent margins, preferring instead to drive hungry patrons to their restaurant and bar outlets. Here, margins are higher, they can more easily upsell, and operational challenges are minimized.

The future of in-room dining

Given the ongoing operational and financial challenges of in-room dining, major change is likely in the near future. The first will most likely be limitations on when and on what will be available. In-room dining opening hours are likely to become significantly more limited. Morning and evening (as opposed to 24-hour), or even just evening-only, service will become more common. At other times the slack will most likely be picked up by limited 'grab-and-go' facilities in the hotel lobby, thus providing an (albeit minimal) level of service for guests desperate for something to eat.

In a similar vein, several of the major chains are experimenting with alternative food delivery platform-inspired propositions for potential roll-out soon. These typically address many of the hotel's operational challenges. Food is ordered directly through an app or web page, thus eliminating the order taker; a simpler menu reduces preparation cost and requires less working capital for food items; proposing simpler food items more suited to delivery (e.g., no steaks) helps with food preparation, complexity, food



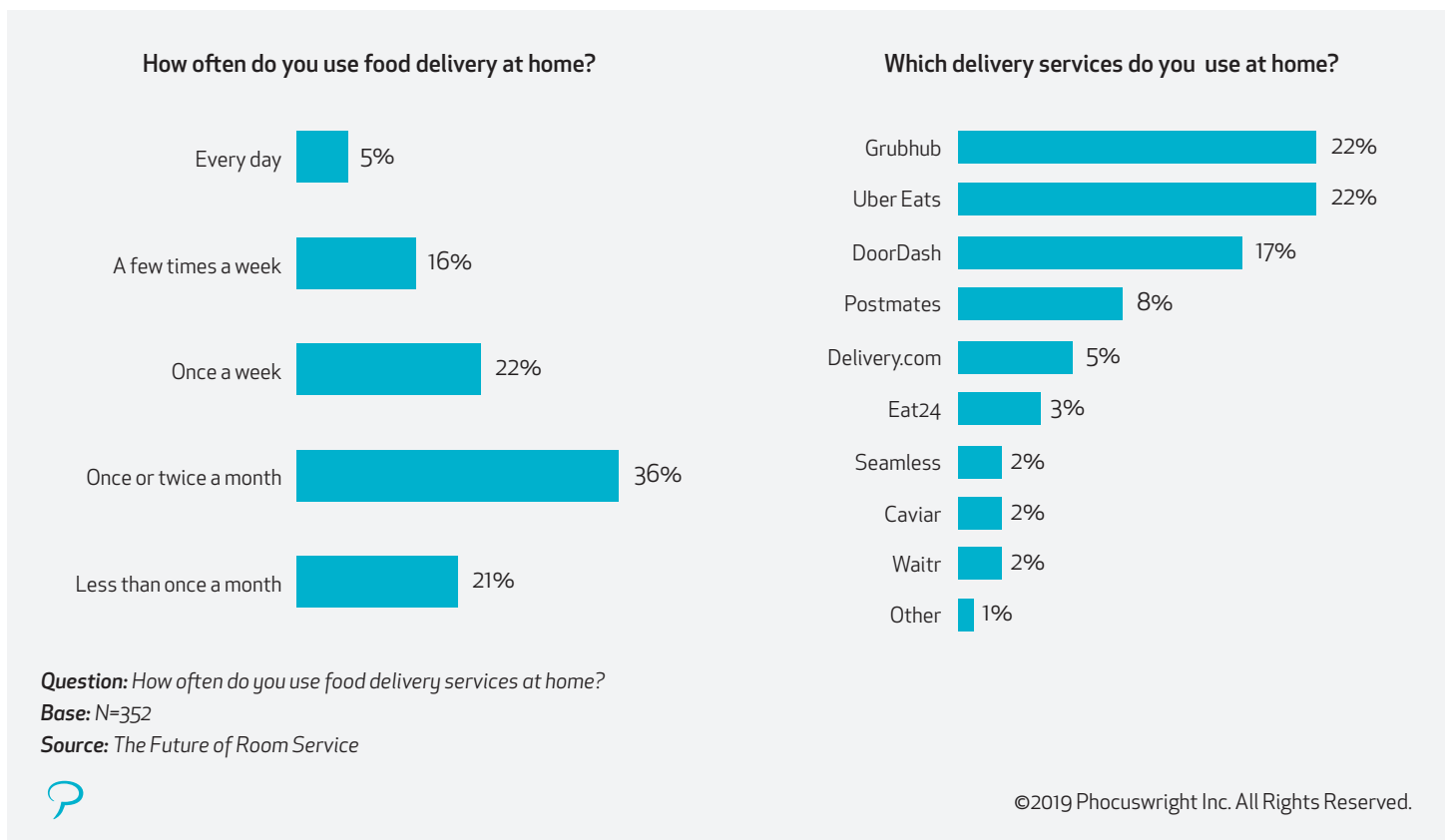
quality and temperature issues; using disposables instead of crockery and silverware reduces capital requirements and pilferage costs; and proposing pick-up or delivery for an additional fee reduces labor costs, eliminates clean-up costs, and facilitates drop-off rather than more intricate service, allowing the use of less skilled labor.

The resulting revenue per customer is lower, but the corresponding costs are significantly lower, which could turn what is currently a cost into something actually profitable. Volumes could be increased further by using the same kitchen/outlet to service non-resident customers through third-party delivery platforms, helping to push profitability. Several of the properties interviewed said that guest reaction to date to these initiatives has been favorable, although there has been some limited pushback from frequent business travelers seeking more traditional dining and service options.

Food delivery at hotels

Food delivery platforms have been one of the impressive successes of this current generation. From a standing start just a decade ago, these platforms have significantly disrupted not just how the food service sector operates, but also how consumers go about their daily lives. Food delivery platforms are frequently used by respondents at home, with nearly four out of five making use of such a service at least once a month (see Figure 7). Grubhub and UberEats are the most frequently used systems by survey respondents, followed by DoorDash, with other services trailing significantly.

Figure 7:
Use of Food Delivery Services at Home



As with room service, the main users of food delivery platforms while traveling are business travelers (see Figure 8). Food delivery occurs most frequently in mid-scale hotels (see Figure 9), whereas in-room dining was more likely to occur in the upscale segment. Business travelers tended to use food delivery services more on shorter stays, and were more likely to order multiple times. Leisure travelers, in contrast, made more use of these services during longer stays, presumably to add variety to dining options (see Figure 10a).

Travelers made use of food delivery platforms even when the property they were staying at had in-room dining facilities (53%) or on-property restaurants (48%). Using food delivery platforms seems to be a one-off scenario during the guest stay. Nearly two thirds of those who ordered from such services did so only once during their trip, suggesting that travelers are using food delivery platforms as a way of enlarging their portfolio of options, rather than as the primary way of dining.

Respondents' reasons for making use of third-party food delivery during their last stay were far from clear (see Figure 11). As with in-room dining, ease and convenience were clearly the most important motivators for using online food delivery platforms. However, respondents also cited a much wider portfolio of motivations, including that they had few other choices, such as when the lodging did not provide in-room dining at the time needed; that they could not find a suitable restaurant nearby; or that they were concerned about safety outside the property. In addition, one in five use these services because it is normal practice for them, irrespective of whether they are at home or traveling.

Satisfaction levels with food delivery were also high. Two out of three users rated each issue assessed either 'excellent' or 'good' (see Figure 12). When compared with the detailed satisfaction levels for in-room dining, there is little difference, either overall or on any individual factor (see Figure 5 earlier). Travelers appear to be equally satisfied with both alternatives as dining solutions while traveling.

Another frequent challenge for food delivery usage is platform coverage. Many respondents interested in food delivery were unable to access their preferred system in their last destination. Eighty percent of such travelers 'probably would' order from a third-party food delivery platform if their favorite service was available. Traveler interest in food delivery is not limited to third-party services though. Travelers are not averse to ordering food delivery-type services directly from the hotel. Two out of five said that they 'definitely' or 'probably' would use the service if available.

Value is a key factor in encouraging travelers to make more intensive use of third-party food delivery platforms. Over 60% of both leisure and business travelers would be more likely to order food delivery if they received a discount on the order or free delivery (see Figure 13).

Being able to earn and/or burn hotel loyalty points could also incentivize food delivery platform use. As mentioned previously, nearly two out of three (58%) were members of one or more of the major hotel loyalty programs. As a result, it's not surprising that nearly

Figure 8:
Who uses food delivery services while traveling?

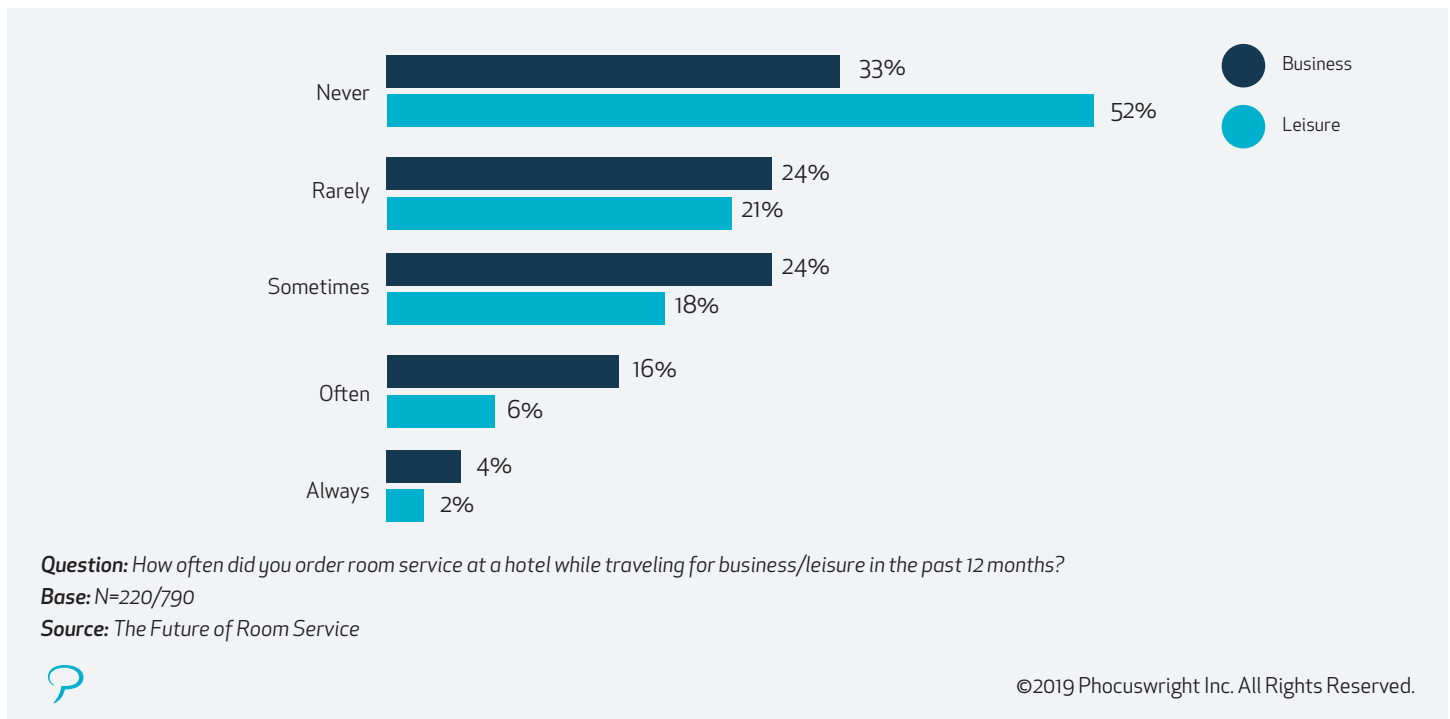


Figure 9:
Use of Food Delivery Platforms by Hotel Segment

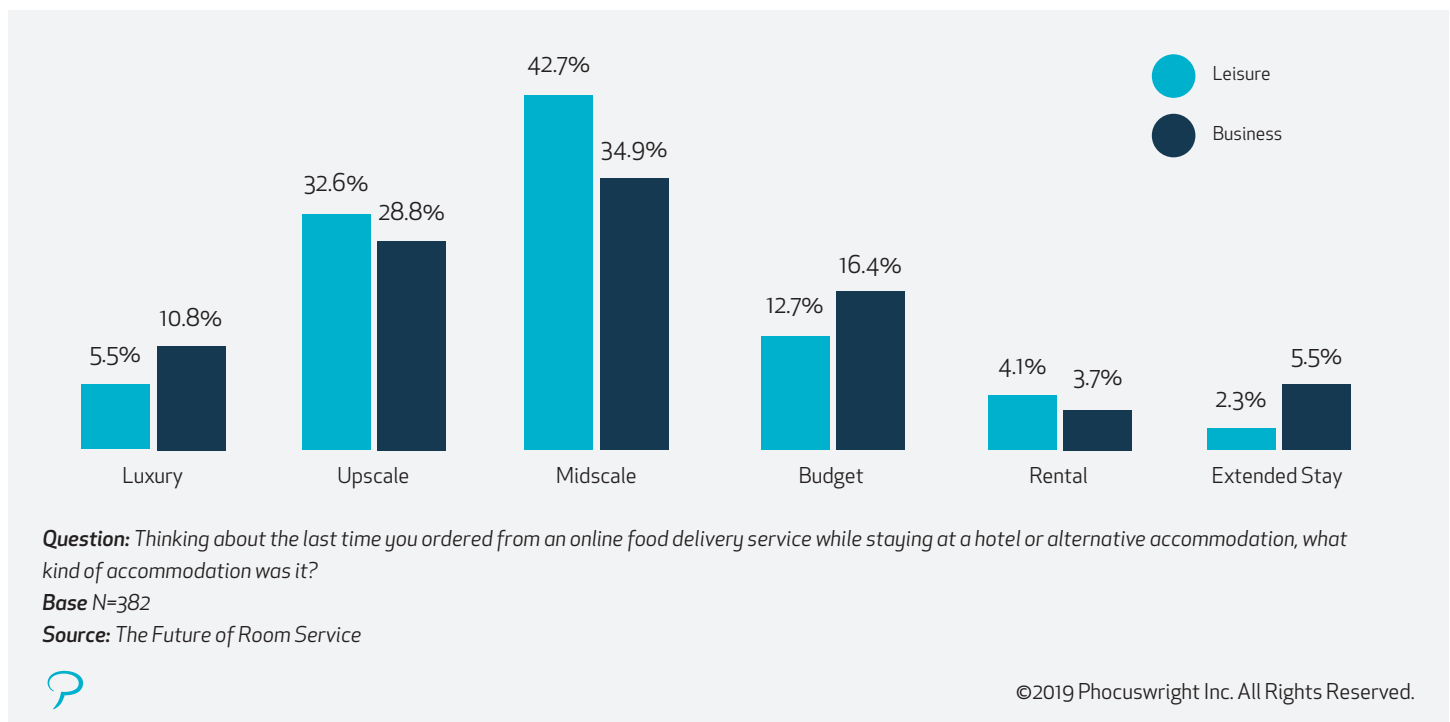


Figure 10a:
Food Delivery Platform Usage by Number of Nights and Frequency of Orders

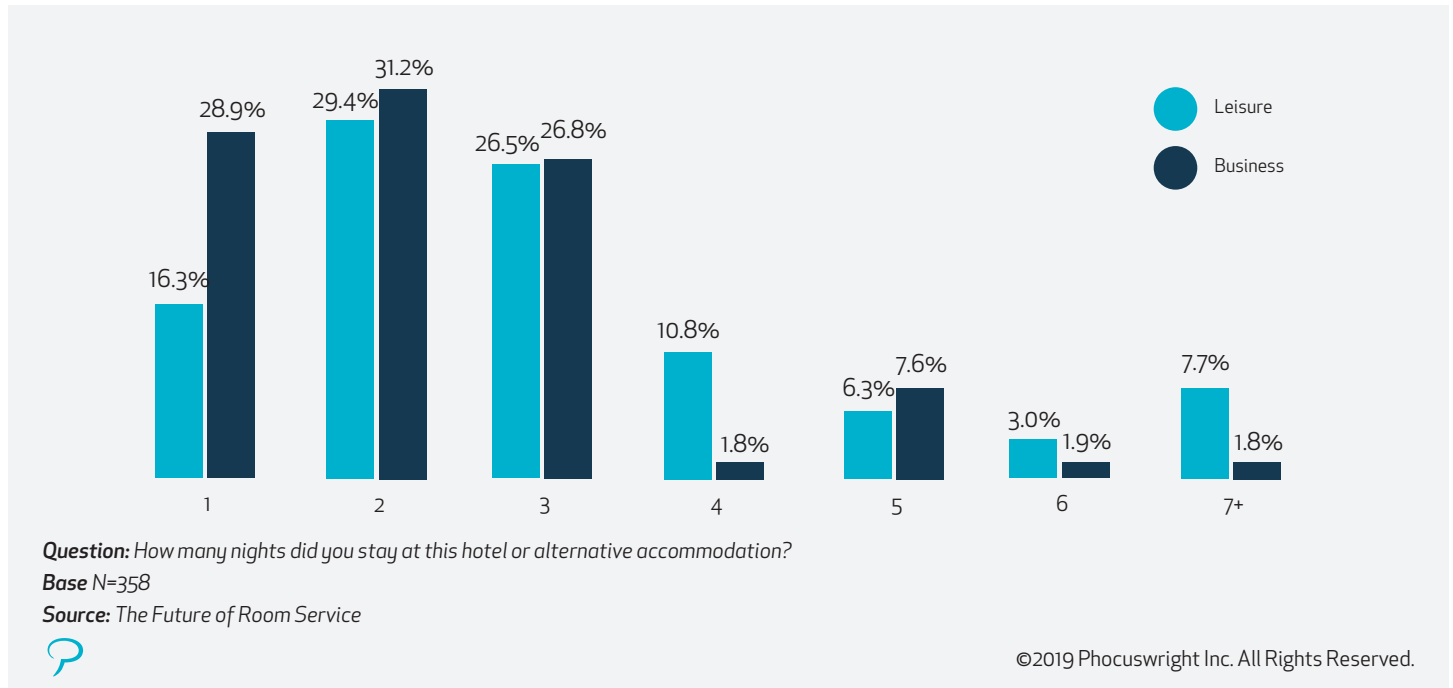


Figure 10b:
Food Delivery Platform Usage by Number of Nights and Frequency of Orders

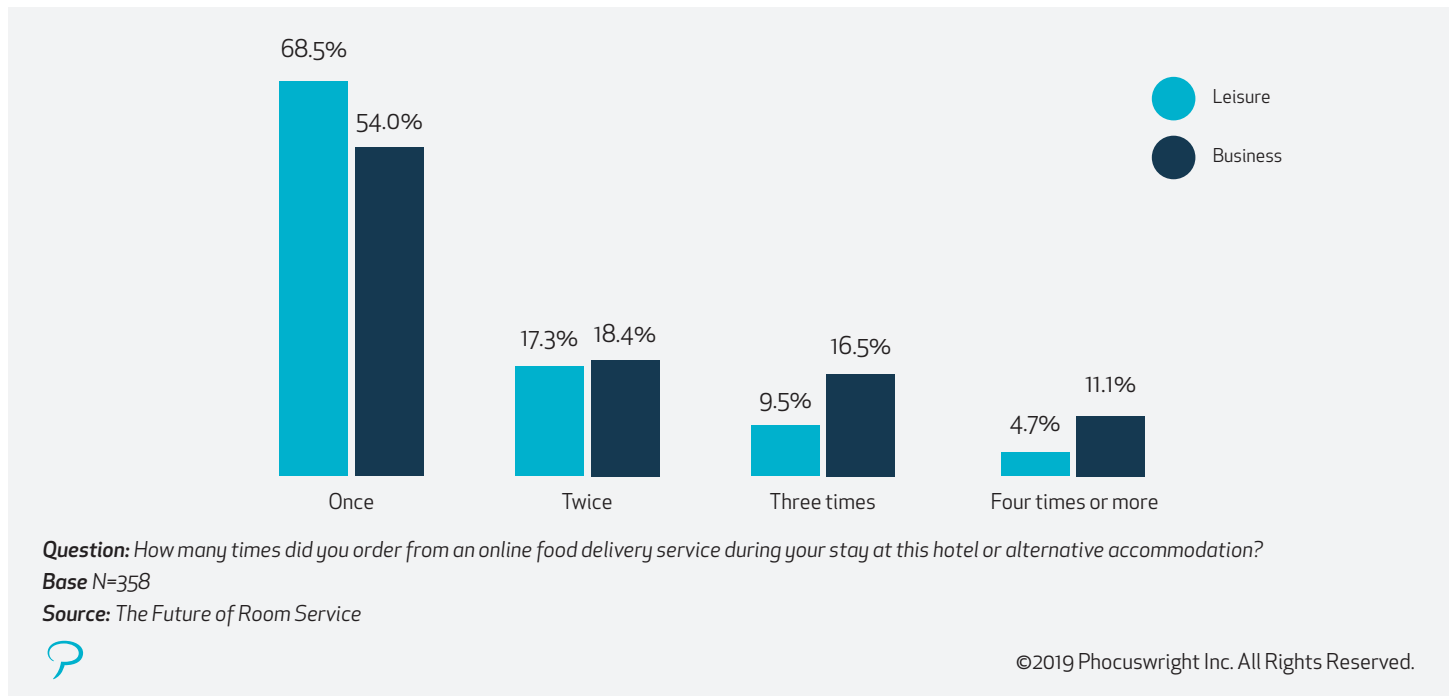
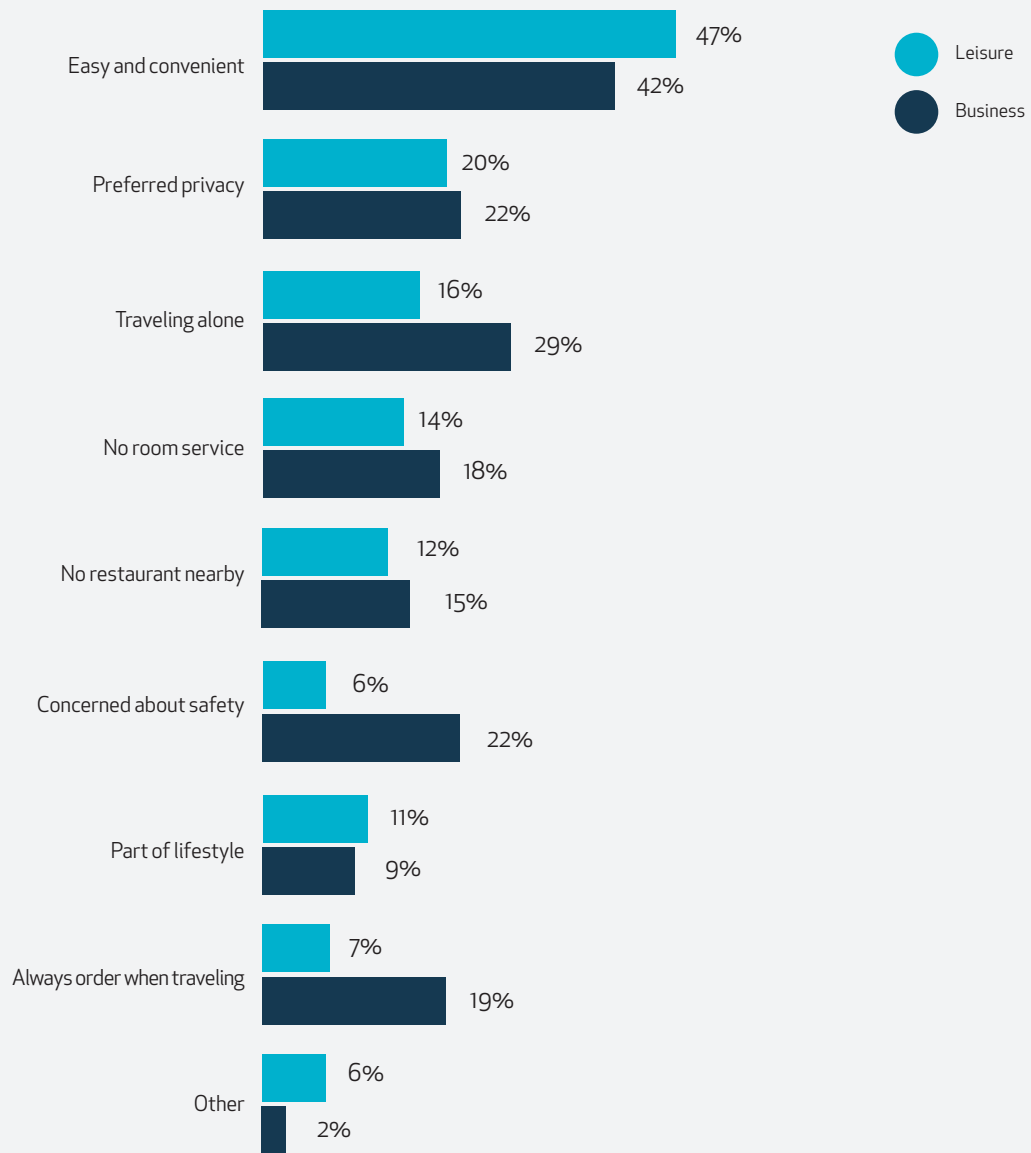


Figure 11:
Reasons for Ordering Food Delivery



Question: What are the primary reasons you ordered from a food delivery service while staying at this hotel or alternative accommodation? Check all that apply.

Base N=358

Source: The Future of Room Service



©2019 Phocuswright Inc. All Rights Reserved.

Figure 12:
High Satisfaction Levels With Food Delivery

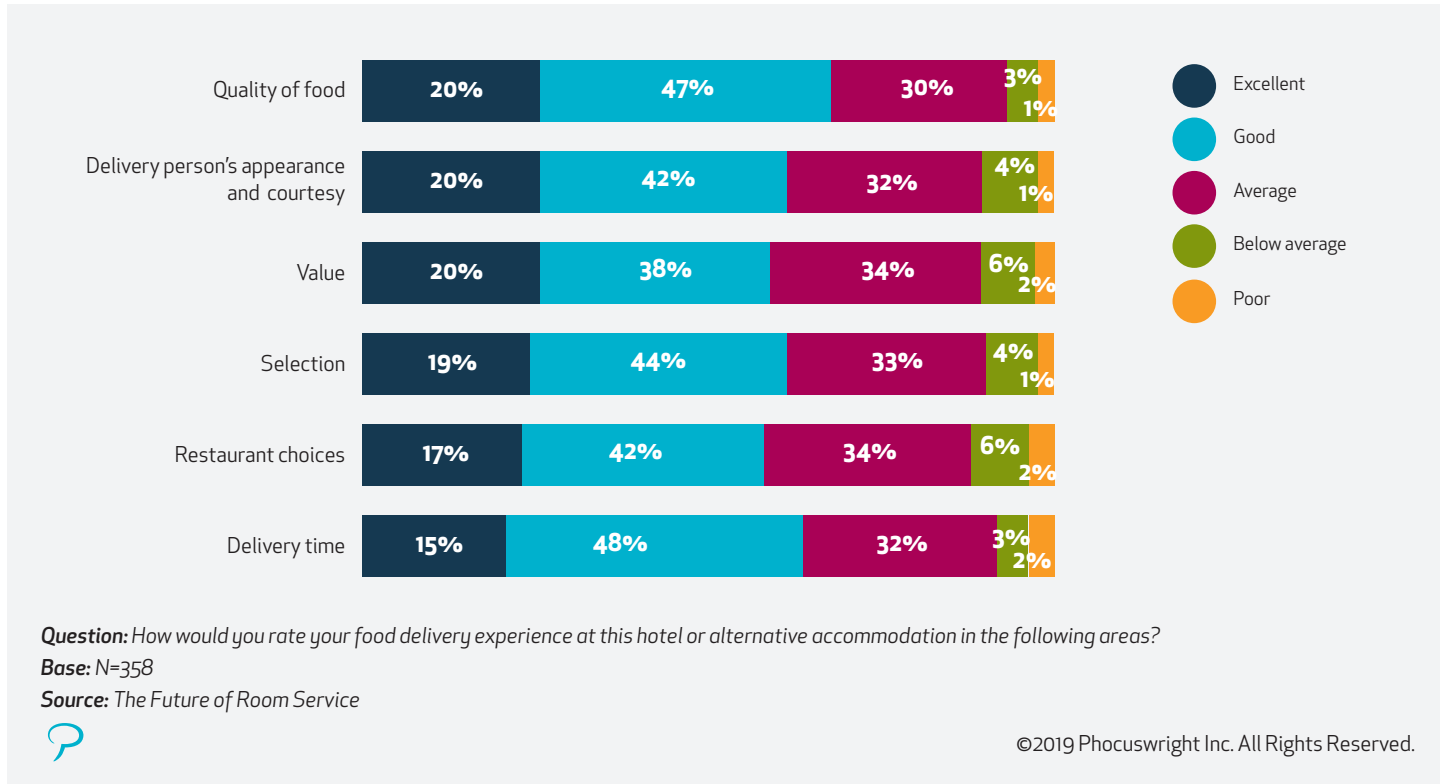
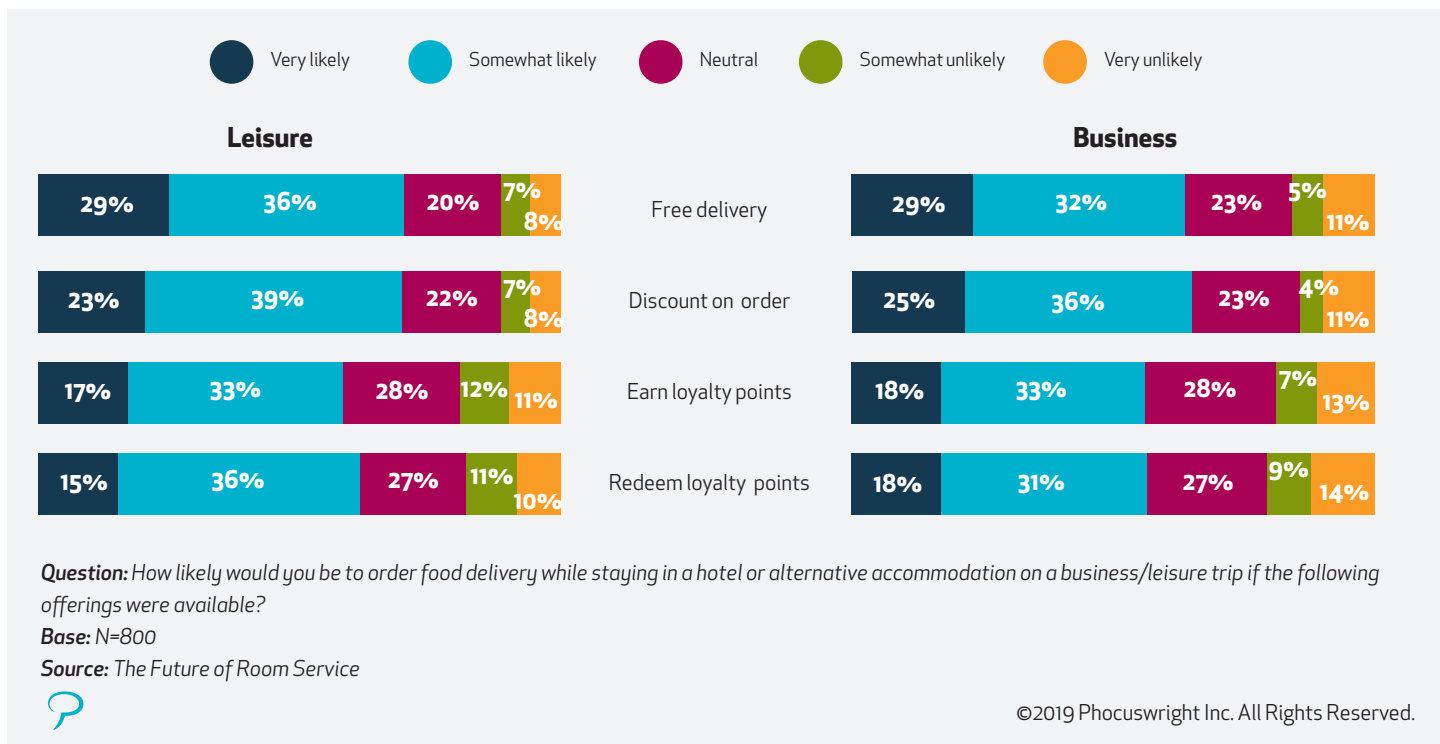


Figure 13:
Driving Additional Food Delivery Platform Use



half of both leisure and business travelers indicated that they would be more likely to order from online food delivery platforms during their trip if they received hotel loyalty points for doing so. A similar percentage also highlighted that the possibility of using their existing points as payment would also encourage them to use such services. Thus it's clear that tighter integration with hotel loyalty programs represent an opportunity for both hotels and the online food delivery platforms to grow this business.

The hotel's perspective on third-party food delivery platforms

Most hotels interviewed for this study are witnessing a growing trend towards third-party food delivery platform usage, particularly from mid-scale and budget brands, as well as long-stay properties. This trend is most prominent in centrally located hotels where guests have access to a wider variety of third-party restaurant choices on the platforms. In such cases, many guests tend to make use of this option to supplement their dining possibilities, especially business guests staying multiple nights. This is particularly true at times when the hotel itself provides more limited options, such as during the day or late at night.

Most hotels see the development of food delivery platforms as a useful way of filling the gaps in their own service offerings, whether that be product selection or opening hours. While the resulting revenue leakage is regrettable, they also realize that they cannot do everything, and particularly cannot do everything at a profit. Hotels are thus willing to tolerate or even encourage the use of third-party food delivery platforms by guests in their properties.

However, this development brings its own set of challenges. Most hotel properties are unwilling to allow delivery directly to the guest room unless the delivery person is accompanied by a member of staff/security, thus increasing the logistical challenges and operational costs of facilitating the service. The alternative is to only allow delivery to the lobby, which decreases customer convenience. While several hotels pointed out that they might be open to some form of formal collaboration with a food delivery platform, most highlighted that they would not be open to billing such services through the guest folio. The general feeling was that doing so would make the hotel responsible for customer satisfaction (as the perception of the guest would be that the service was provided by the hotel itself), and also that it could open up a range of liability issues in the event of a problem.

Online Grocery Delivery and Travelers

In contrast to both in-room dining and food delivery platforms, online grocery delivery is the exception rather than the rule. Only one third of travelers have used such a service while traveling. Half of these travelers ordered on an online grocery delivery platform despite there being a physical restaurant or room service available in the property. Once again business travelers are the most frequent users of this service, with even usage irrespective of category of hotel used or length of stay.

"It's almost impossible for our room service offering to compete with the variety and 24/7 convenience of the major online food delivery sites. We are fighting a losing battle!"

-- West Coast upmarket hotel F&B manager

Figure 14:
Frequency of Online Grocery Delivery Services Use While Traveling

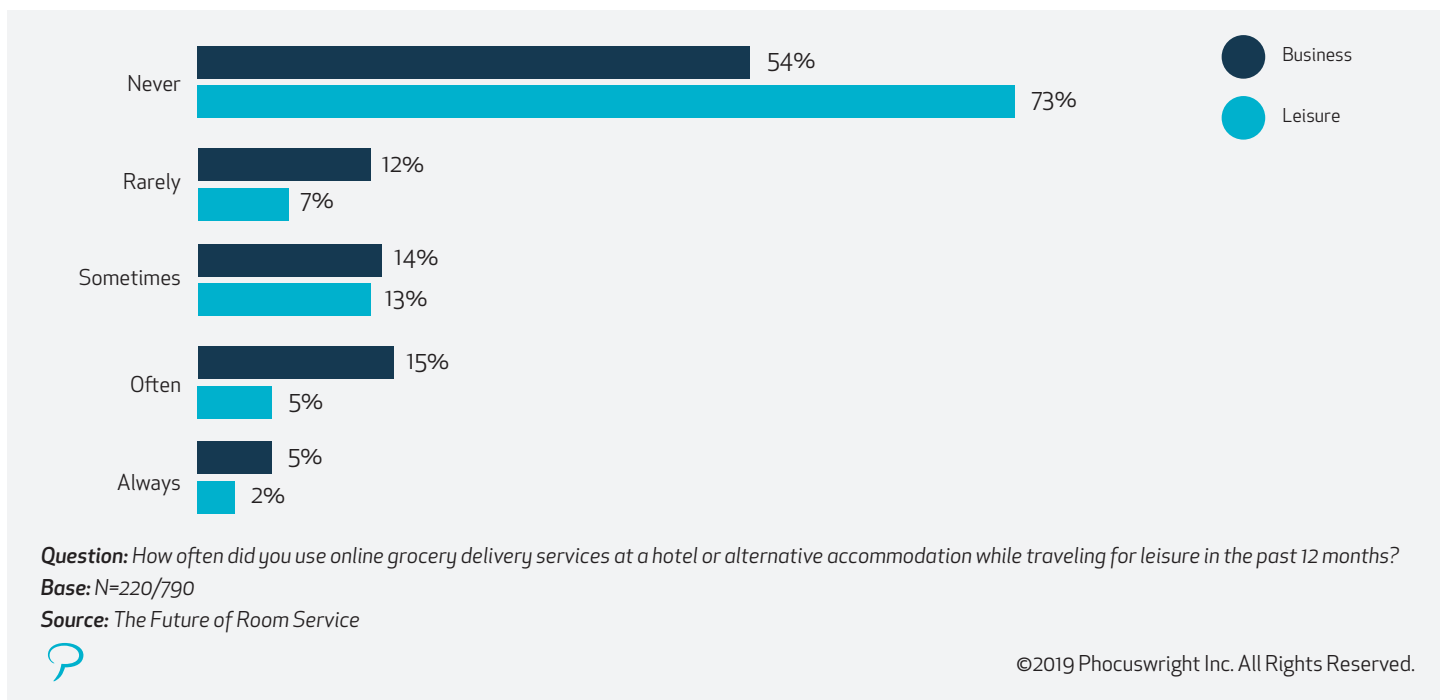


Figure 15:
Traveler Use of Online Grocery Delivery by Hotel Segment

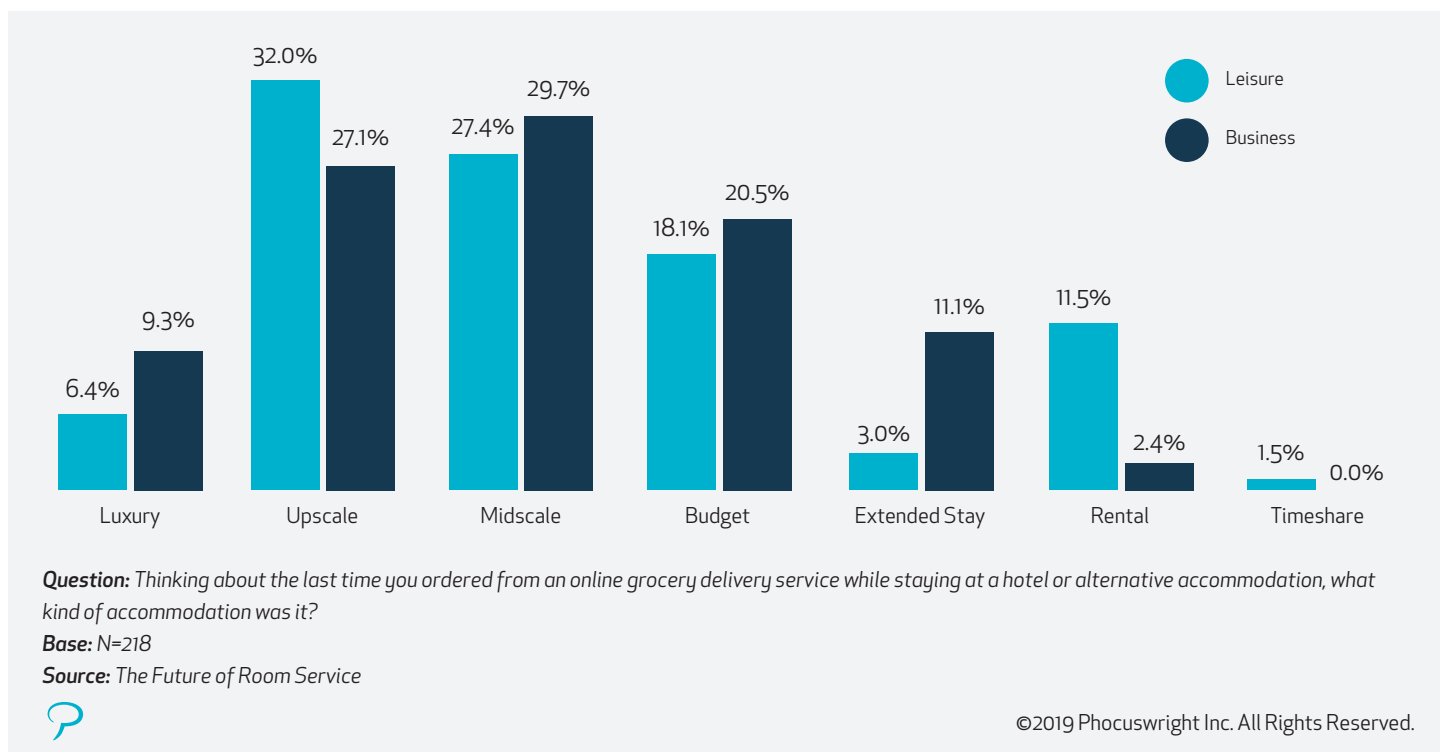


Figure 16a:
Online Grocery Delivery Usage by Length of Stay and Frequency of Orders

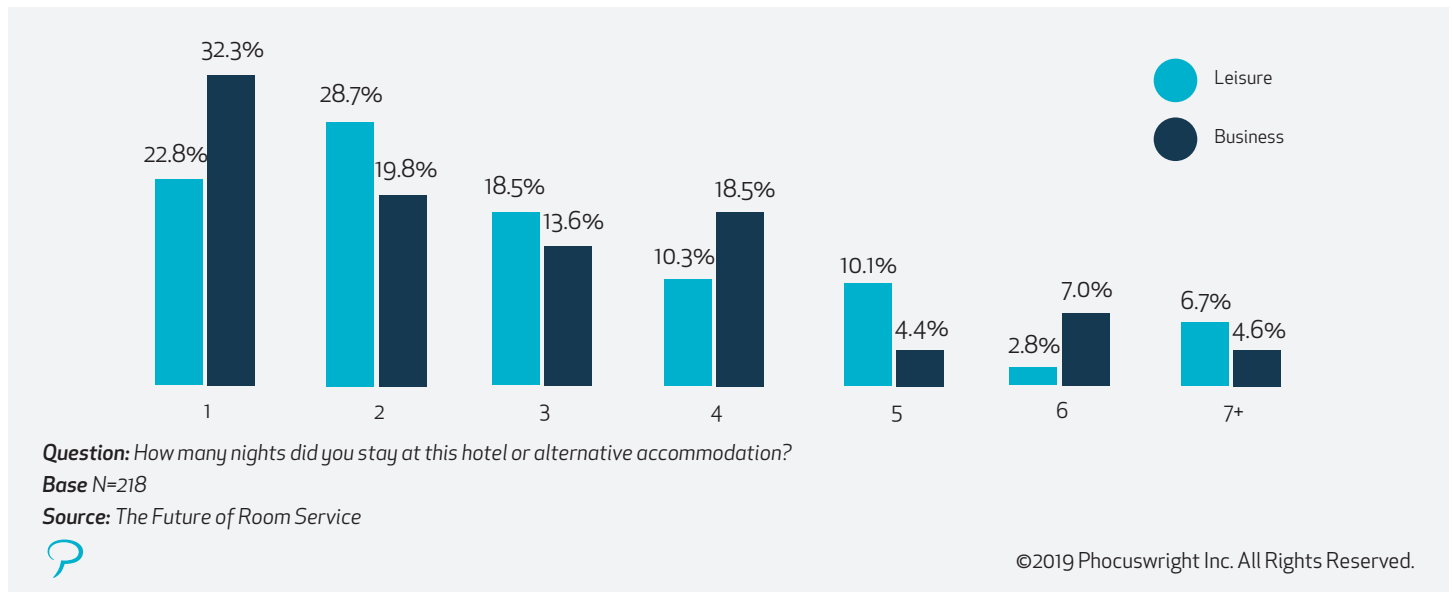


Figure 16b:
Online Grocery Delivery Usage by Length of Stay and Frequency of Orders

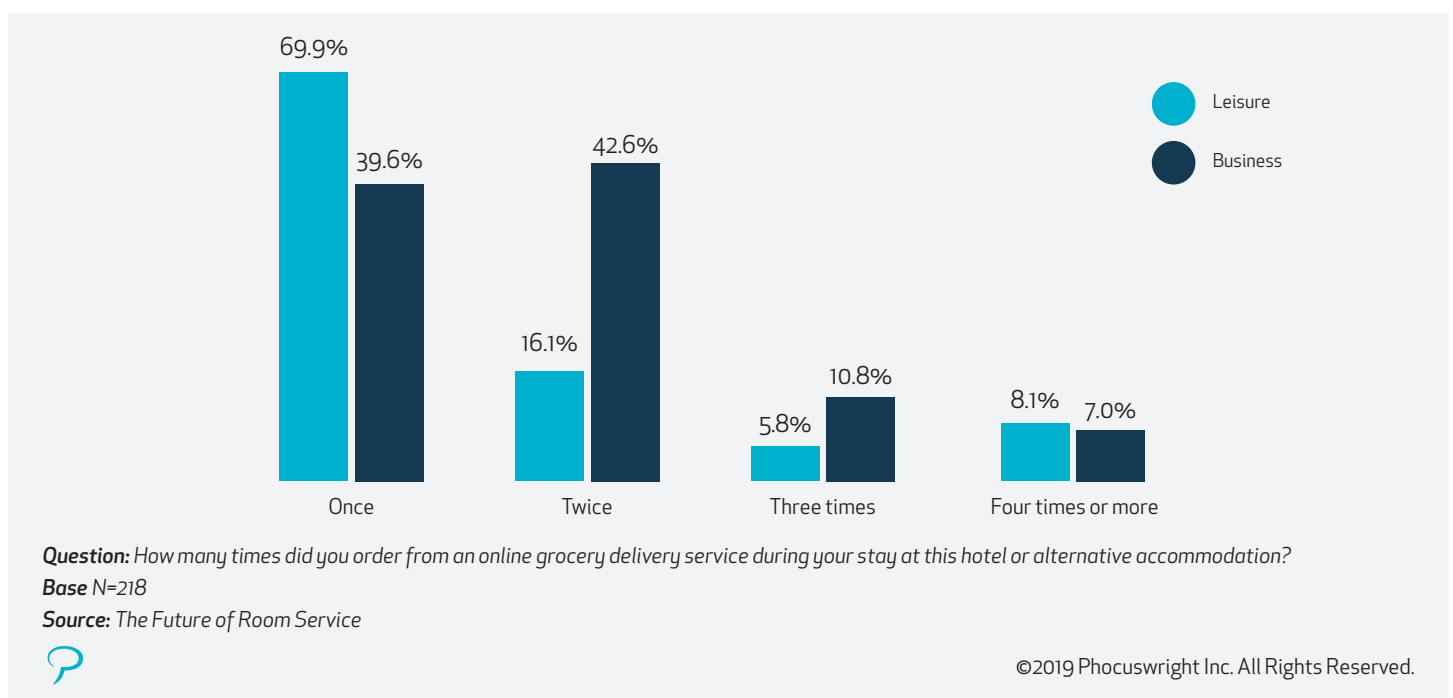


Figure 17:
Satisfaction With Grocery Delivery

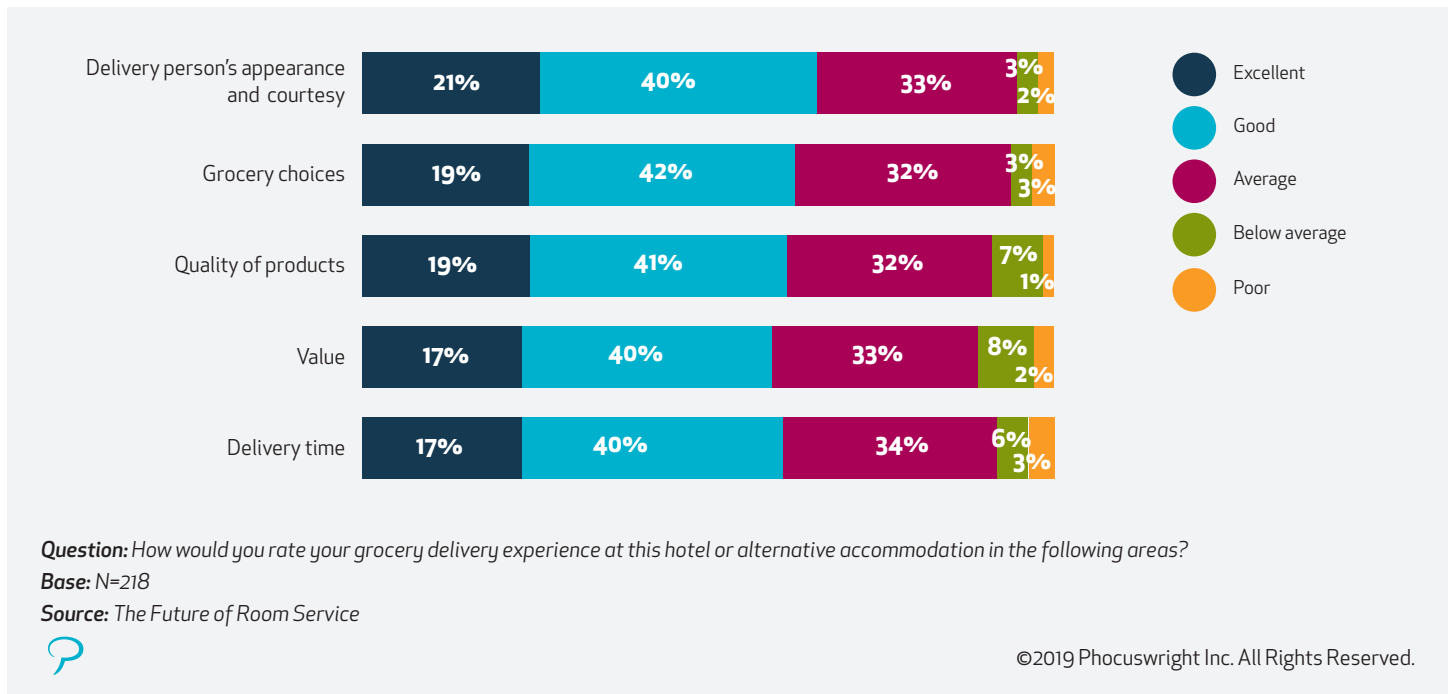
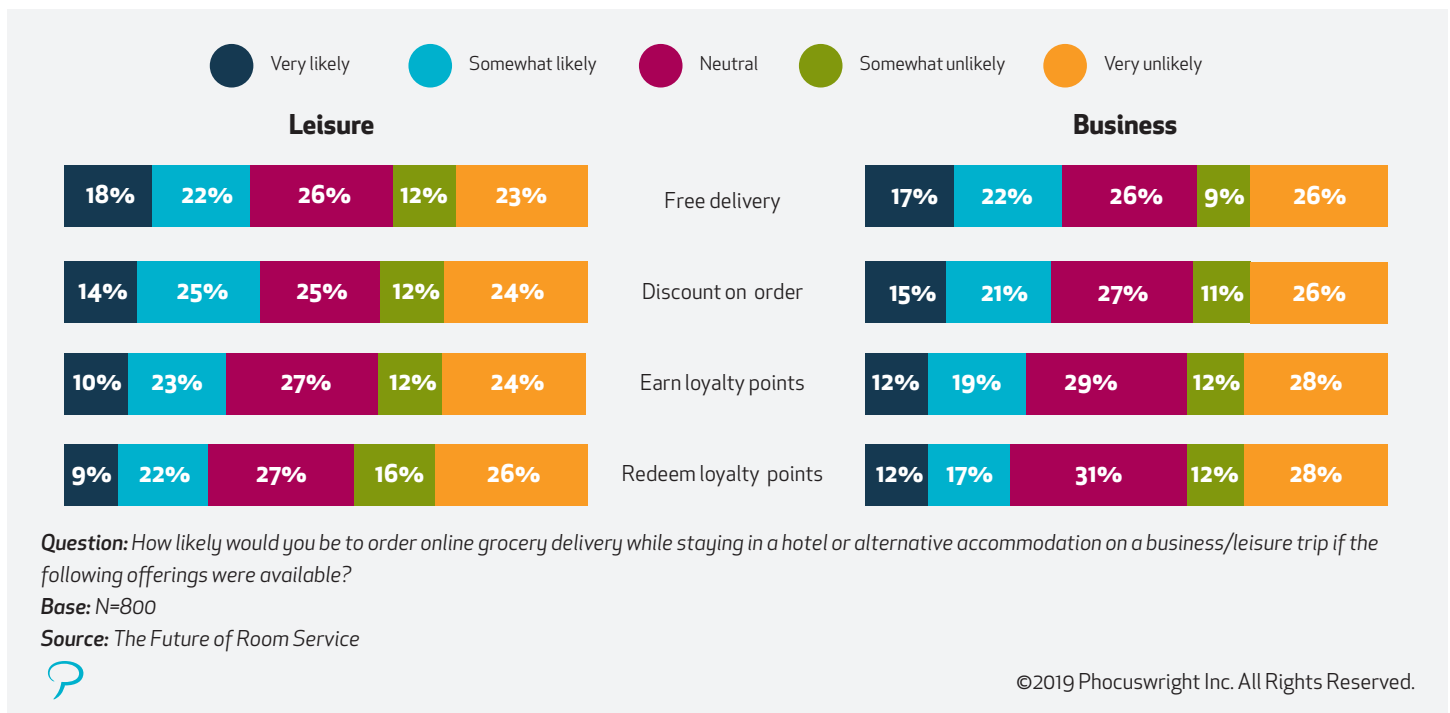


Figure 18:
Driving Additional Grocery Delivery Platform Use



Usage patterns vary greatly by traveler type. Leisure customers typically ordered once, mostly on shorter stays. Nearly half of those who used the service stayed for just one or two nights. Business customers were more varied and a significant proportion ordered twice, particularly on stays of four nights or more.

Though only a limited number of travelers use grocery delivery services, satisfaction levels are quite high. Nearly 6 out of 10 in each case rated their satisfaction level as 'good' or 'excellent' on attributes like delivery person courtesy, grocery choices, and product quality (see Figure 17). This helps explain why so few travelers would be open to ordering groceries from a hotel-associated service. Only one in four respondents would consider such an option if such a service were to become available.

It will be difficult to motivate those who currently do not use online grocery delivery while traveling to do so. Value (through offering discounts or free delivery) is the most significant factor, but only 40% of both leisure and business travelers would be more likely to use online grocery delivery while traveling in return for such benefits. In contrast to food delivery, the ability to earn/burn loyalty point is also significantly lower, with only about a third of travelers in each case citing that this would encourage them to try this service.

Overall, travelers are ambivalent about making increased use of online grocery delivery services while traveling. This is surprising, since travelers tend to be big users of online grocery delivery platforms at home. Three out of four order at least once a month, and nearly half order weekly. However, home usage clearly does not translate to the travel situation yet.

When questioned as to why they did not use online grocery delivery while traveling, the clear answer is lack of need. Nearly 60% said they did not need groceries while traveling. Four out of 10 also pointed out that they had never considered using such a service in this situation (see Figure 19).

The hotel's perspective on online grocery delivery

With the exception of extended stay properties, few of the hotels surveyed have any experience with online grocery delivery services. Questions about the subject provoked puzzled reactions from most managers, many of whom had trouble imagining why guests might want to make use of such a service. The majority had rarely, if ever, seen it in their properties. Most hotels had facilities and procedures to receive traditional packages, including from online suppliers like Amazon, but none had anything in place to receive or store perishable products such as groceries. Online grocery delivery appears to be a niche service, most suitable to extended stay or peer-to-peer rental situations than traditional hotel stays.

Widespread use of online grocery delivery services in hotels would generate similar or more complex logistic and security challenges as online food delivery platforms. Hotels

would need to significantly adapt their operational procedures to facilitate this service. Most currently have neither the procedures nor facilities to be able to deal with food deliveries if the guest is not present in the room. Many hotels would however be open to partnering with one or more platforms to make online grocery delivery services more conveniently available to their guests if sufficient demand existed. However, most felt that such an initiative should be driven by the brand, not by individual properties. They also feel that uptake would be limited.

Conclusion

Dining, in all its forms, remains a key element of the travel experience. While dining in physical restaurants remains the most commonly used option, today's wired travelers are also making increased use of alternative options during their trip, depending on their immediate needs.

Both in-room dining and use of third-party food delivery platforms provide a valued alternative to dining in a physical restaurant (whether within or exterior to the hotel), particularly on multi-night trips. Usage of both is driven by ease and convenience, which are clearly issues that hotels should work on if they want to encourage increased usage of such services. For food delivery platforms, value, in the form of discounts or free delivery, is clearly a key issue in encouraging usage by both leisure and business clients. Similarly, loyalty program integration is a factor that would help drive increased usage.

In contrast, online grocery delivery for travelers is likely to remain a niche service, relevant only in limited circumstances. Usage is currently low, with less than one third of travelers having made use of this service on any of their trips over the past year. Far fewer travelers would be willing to increase their usage in return for better value, more convenience or loyalty program integration, and most hotels seem unsure as to how they would deal with such deliveries in operational terms. Taking this concept mainstream, therefore, would appear to be more of a long-shot.

It's clear that the world of in-room dining is changing. Today's digitally enabled customers have different expectations as to how best satisfy their hunger while traveling and traditional room service, with all its formality, is increasingly looking outdated. Hotels thus have three choices. Either they can sit back and let this valuable revenue stream gradually disappear; they can adapt their offerings to better match market expectations; or they can put in place the systems, processes and alliances with the rapidly growing food delivery platforms and profit from this now unstoppable trend in a cost-effective manner.