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# HOTELS BY DAY: A NEW OPPORTUNITY FOR TRAVELERS AND HOTELS

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*Associate*



A new company envisions booking otherwise vacant hotel rooms in efficient blocks of time during the daylight hours, generating convenience for travelers and profits for hoteliers.



Anyone who has faced the prospect of an international flight with an eight-hour layover in New York or San Francisco knows how valuable it is to rest in a hotel room versus a bench in an airport lobby, groggily awaiting a connecting flight. In most cases, however, that short hotel stay comes at the full overnight rate or in less-than-desirable accommodations.

Launched in February of 2015, HotelsByDay.com (HBD) aims to change the model, providing convenience and efficient pricing for short-term hotel guests and greater returns for hoteliers.

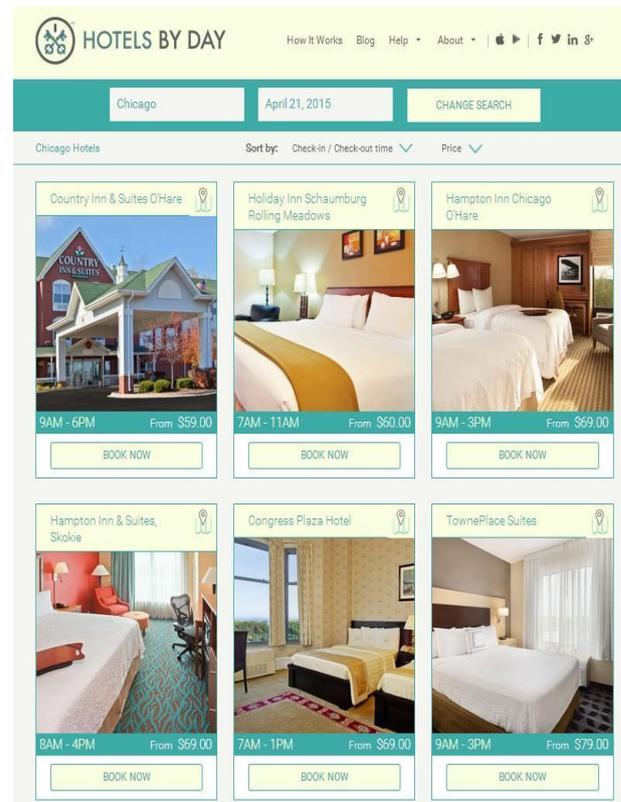
## More Efficient, More Stable Pricing for Day-Only Hotel Stays

Unlike services such as Expedia or Priceline, HBD allows guests to book a hotel room from as early as 7:00 a.m., with check-out available between 11:00 a.m. and 6:00 p.m. Rental periods, determined by individual hotel operators, generally range from four to nine hours. Guests can book for a morning or afternoon rest between flights or business meetings, or through the early evening, allowing for a change from business to cocktail attire.

From a consumer standpoint, a major incentive is price. Day rates at participating hotels can be discounted as much as 40% from a hotel's rack rate. For example, a stay at the Hampton Inn Chicago O'Hare from 9 a.m. to 3 p.m. costs \$69.00 through HBD, while a regular (i.e., overnight) booking costs \$199 before

tax.<sup>1</sup> Day rates are also less likely to fluctuate, whereas regular room rates tend to spike 20% or 30% when booked on (or a day before) the check-in day.

**Daytime offerings through Hotels By Day come at rates well below those of a typical overnight hotel stay.**



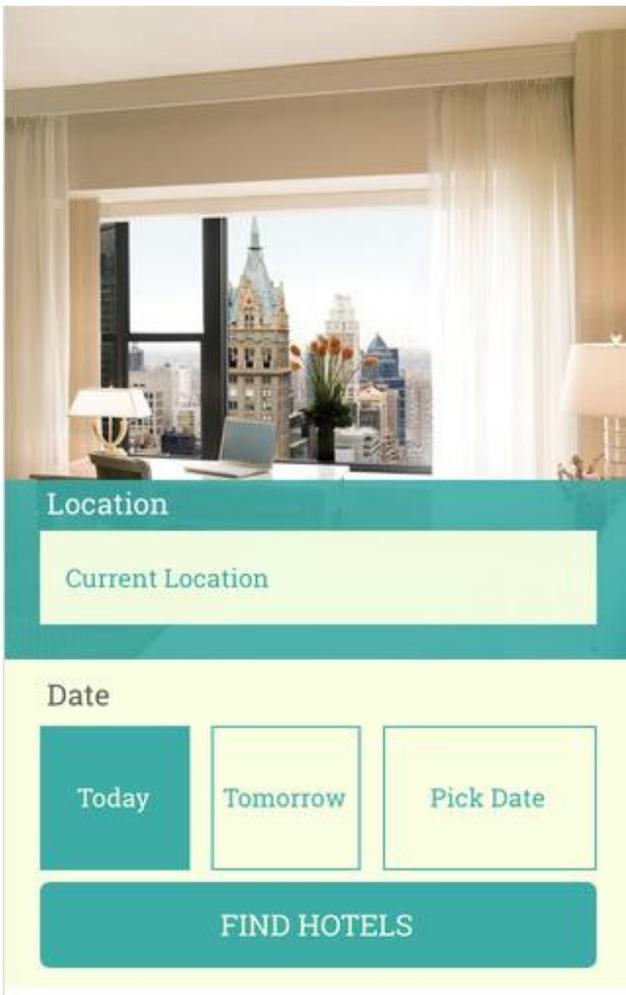
## A New Distinction in the Field of Daytime Hotel Stays

HBD Co-founder Yannis Moati comes from a twelve-year background in tour operations, and his team has a broad range of hospitality expertise. HBD staff ranges from HR specialists who launched Kayak and Jetsetter to the business architects of two top online hotel technology firms. Since its launch early this year, Hotels By Day has facilitated hundreds of bookings and secured 100 participating hotels in more than ten major U.S. cities. The participation through HBD should provide far more consistency and transparency with respect to daytime hotel stays, which previously existed only on a one-off, local basis, varying from property to property and often subject to the vagaries of negotiation.

<sup>1</sup> Based on average prices researched in June 2015. Both day and overnight rates at this and other hotels referenced in this article are subject to vary.

HBD is aware that its product offering could conjure crass associations with cheap hourly motels; the company’s approach, however, stands in sharp relief from this low-rated, high-turnover model. Again, this hinges on consistency, ease of use and access, and presentation, all of which the company built into its website from the ground up. HotelsByDay.com offers a clean, sleek design and a user-friendly interface. Mobile apps are also available via the App Store or Google Play, a sign of HBD’s targeting of millennial travelers.

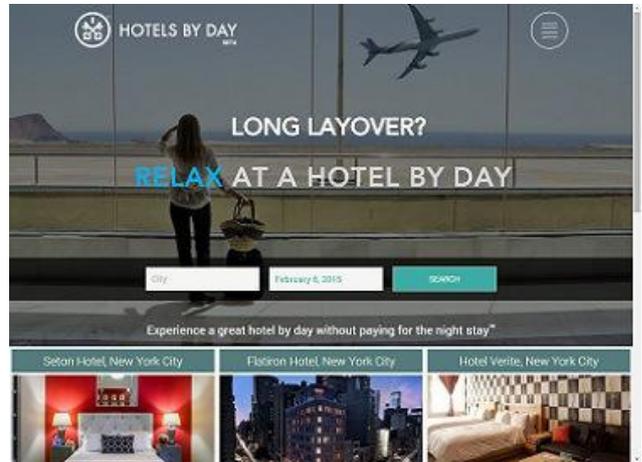
**The Hotels By Day website and mobile apps allow for simplicity in booking day stays.**



In order to further set HBD apart from traditional hourly motels, Mr. Moati set the minimum rental period at four hours. However, hotel managers have

the flexibility to adjust their rental period and room rates anytime.

**Hotels By Day Offers Day Rates at Full-Service Hotels in Destination U.S. Cities**



## The Target Market and Demand Patterns for Day Stays

Commercial travelers have sought a service like Hotels By Day for years. Long layovers or gaps of time between meetings provide an opportunity to rest or work, provided one has appropriate accommodations. A comfortable bed, a shower, Wi-Fi access, and a place to change clothes are among the top needs of business travelers with several hours on their hands, and these are exactly the features hotels provide. Companies can host small meetings or presentations in hotel rooms or suites without the expense of booking an overnight stay or superfluous conference space. HBD also targets leisure travelers who need a room to freshen up before exploring the city.

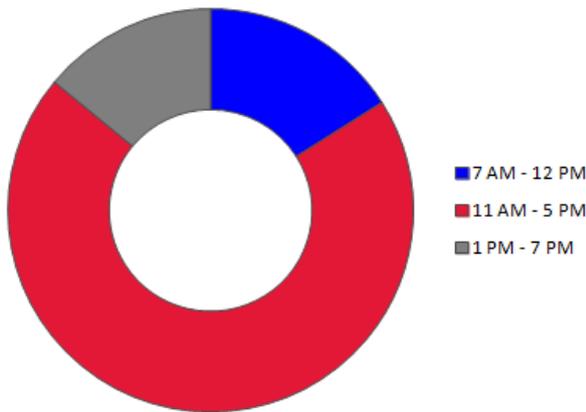
HBD’s niche on the market stands it apart from traditional OTAs, featuring a model that helps hoteliers maximize revenue without detracting from or competing with their own reservations systems. HBD is more similar to other servicers in the shared economy, such as Airbnb, Zipcar, and Uber, all of which capitalize on otherwise idle resources. Moati notes that approximately 30% of hotel room inventory sits empty during the day; most people check out before 12:00 p.m. or check in after 3:00 p.m. Hence, “there is always unused [mid-day] inventory somewhere in [a given] city,” says Moati. Unlike Airbnb, however, HBD actually brings business back to the hotel industry.

According to Moati, 70% of HBD bookings are for rental periods between 11 a.m. and 5 p.m., while demand for early mornings and evenings is weaker. Around 70% of the bookings are for hotels in the

Downtown/CBD areas, with 30% for airport hotels; this split makes it clear that red-eye travelers are not the only demand generators for intraday hotel stays. Notably, one third of the bookings are same-day reservations, a strong indication that intraday stays are a viable option for business travelers with a fluid schedule.

**Most day-time stays are booked for late mornings and afternoons at downtown hotels.**

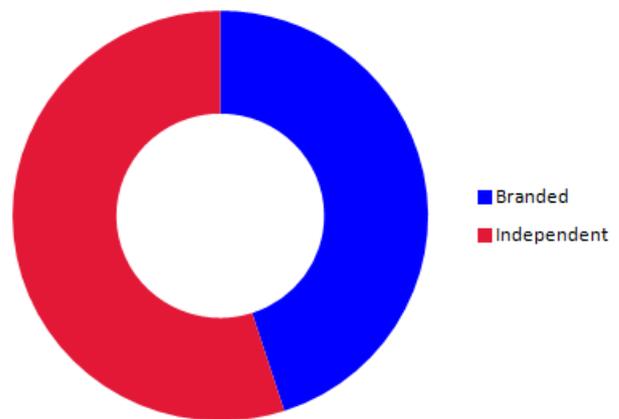
Rental Period



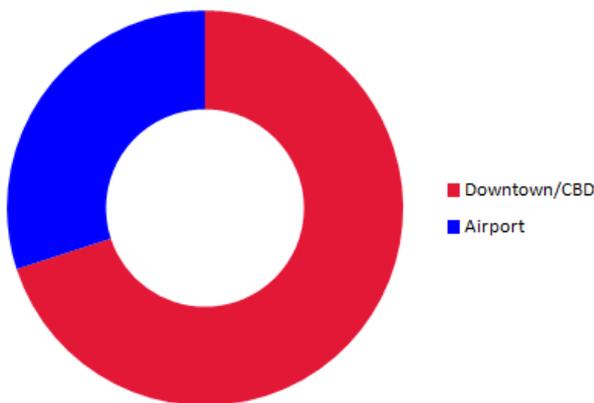
Of the 97 hotels, approximately 45% are branded properties, while 55% are independent. Moati says Hotels By Day is creating greater potential to team with major hotel brands. Among the branded hotels currently partnering with HBD, 70% are upper-midscale through upper-upscale hotels, while most of the independent hotels are boutiques. Again, the quality and diversity of product offerings differentiates HBD from traditional hourly hotels.

**Currently, Most HBD Partner Properties are Independent Hotels**

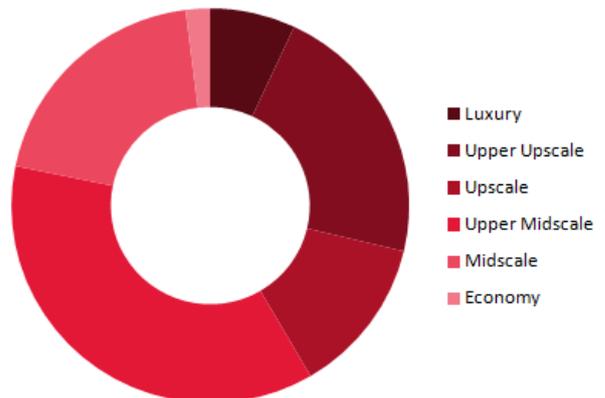
Branded vs. Independent Hotels



Location



Chain Scale Summary



## HBD's Scope and Expansion

As of May of 2015, HBD had 97 hotels in 16 cities participating in the program. Eight of these 16 cities rank among the top 25 U.S. markets. The others either feature a major international airport (as in, for example, Baltimore and Charlotte) or are well-known leisure destinations like Palm Springs and Fort Lauderdale. According to Moati, New York City and Miami are HBD's most successful cities, and the company is in the midst of expanding in Washington, D.C., San Francisco, and Boston.

## How Hotels By Day Impacts Hotel Valuations and Operations

HotelsByDay has the potential to boost hotel revenue, which in turn could increase a hotel's value over the long term. Both operators and appraisers, however, should keep in mind how the HBD model will affect occupancy and average rate levels. If the number of

available room nights remains unchanged, the addition of intraday stays to the total occupied room nights brings occupancy up. Furthermore, increased demand capture should stimulate income growth at onsite restaurants and other revenue-generating departments at the hotel. The highly discounted day rates would, however, lower overall average rate. Hoteliers should gain a detailed analysis of their hotel's RevPAR levels to determine if selling day stays will help with their revenue goals.

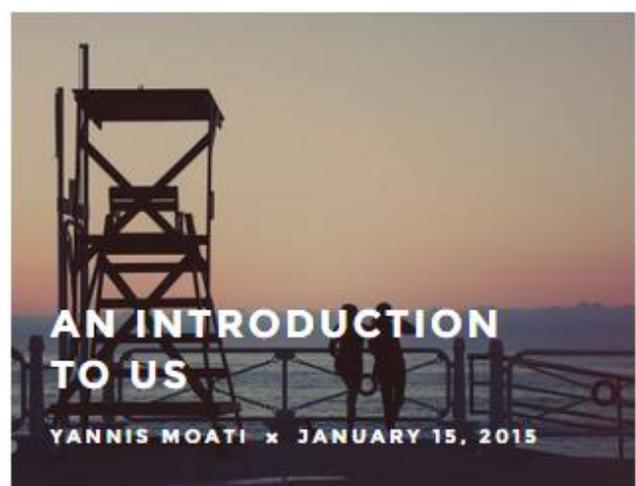
Another aspect to consider is how a service like HBD will affect operational expenses. Besides increased housekeeping costs, participating hotels are also responsible for a booking commission, which would increase room expenses. From an operations standpoint, hoteliers may need to consider adopting new housekeeping practices to accommodate the day stays. A dedicated housekeeper could be used to turn over the day-stay rooms, but again, the cost vs. returns must be taken into consideration.

There is also some concern over how daytime stays could affect overnight bookings at a given hotel. While hoteliers can profit from booking otherwise unused daytime inventory, they might also fail to deliver early check-in requests from regular hotel guests, especially loyal members. Furthermore, the demand for daytime rooms could be difficult to forecast given the limited historical data.

## Looking Forward

The HBD team continues to expand the company's inventory of participating hotels, while maintaining the upscale quality of the hotel rooms on offer. This means HBD only accepts hotels that meet certain requirements, such as strong peer ratings on TripAdvisor, a solid record of service quality, and proximity to demand generators. The company's increasing collaboration with upscale hotel brands, which exercise their own high standards of quality, is at the heart of HBD's strategy to increase availability of hotel rooms through the service.

From an operational perspective, hoteliers should pay close attention to how the use of Hotels By Day could affect their sales, their hotel's revenue, and ultimately the value of the property itself. At present, however, HBD has broad appeal as a niche service that puts idle hotel rooms to profitable use.





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## About the Author



**Kirsten Smiley** is an Associate with the HVS consulting and valuation office in St. Louis, Missouri. Her past experience in hospitality includes marketing, management, and guest service roles at the Mayflower Renaissance hotel in downtown Washington, D.C.; the Atherton Hotel in Stillwater, Oklahoma; and the Dong Fang Hotel in Guangzhou, China. Kirsten graduated with a BS in Hotel Management from the Business School of Sun Yat Sen University in Guangzhou and a BS in Hospitality Administration from Oklahoma State University.

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