**Filling the Last Rooms, for Pure Profit**

**By** [**JOHN HOLUSHA**](http://query.nytimes.com/search/query?ppds=bylL&v1=JOHN%20HOLUSHA&fdq=19960101&td=sysdate&sort=newest&ac=JOHN%20HOLUSHA&inline=nyt-per)

LAST summer, a group of New York hotels came up with a promotion that used the tagline "Take the Grandkids, Leave the Parents." It was offered when parents were presumably working and grandparents were ready and willing to go on vacation.

More important, it came in July, one of the slow times in the New York hotel business. Despite a soaring occupancy rate over all, there are times when rooms go unoccupied - and in the hotel business, there is a big incentive to fill those last rooms. Once fixed costs have been met, almost all the revenue from renting an additional room falls to the bottom line as profit.

"There are two periods when New York is soft: January and July," said Vijay Dandapani, the chief operating officer of Apple Core Hotels, the group of five moderately priced hotels in Midtown that ran the promotion aimed at grandparents.

It is not surprising that hotel rooms are more readily available at those times. "In January, the weather is cold and people are recovering from the holidays," said Mr. Dandapani, who is also the chairman of the Hotel Association of New York City. In July, tourism drops a bit because there is greater interest in the beach.

The promotion was based on both calendar and social factors, he said. "Grandparents today are healthier and better off financially than in the past," he said. "They want to do more for their grandchildren than just leave money for college."

One way for the generations to bond is to visit New York and to tour famous attractions. For the most part, these family groups are not interested in upper-crust hotels with rates of $600 or more a night.

They are a target market for a group like Apple Core, which operates the Comfort Inn Midtown, La Quinta Manhattan, Ramada Inn Eastside, Red Roof Inn Manhattan and Super 8 Hotel Times Square. All are situated in Midtown, between 30th and 46th Streets.

Posted rates for these hotels are in the range of $160 to $190 a night, with the exception of the Comfort Inn, which is usually more than $200 a night. The average price for a night's stay in Manhattan was $223.50 during the third quarter, according to a report by PricewaterhouseCoopers, the accounting and consulting firm.

The promotion offered rooms for $139 a night and included four tickets for the Circle Line ferry to the Statue of Liberty and Ellis Island. The rooms were also made child-friendly with video games.

It resulted in the booking of 44 rooms that would otherwise have been vacant, translating into a 20 percent increase in revenue for the month. "It was a resounding success, and we are going to do more things like it," Mr. Dandapani said. Filling the last few rooms has a big impact on the financial performance of a hotel, said Ross Woods, director of the New York area hospitality practice of PricewaterhouseCoopers. "There are fixed costs, which remain the same regardless of whether the hotel is 40 percent or 90 percent occupied," he said.

There are also variable costs, such as those for wages. But a hotel generally does not have to add desk clerks or other support personnel if those last rooms are filled, so most of the revenue generated is profit. "This is the reason why hotels have tremendous operating leverage not seen in office or industrial properties," Mr. Woods said. "Once you get beyond break-even, the profits are super."

In some ways, hotels operate like the airline industry, where the cost of flying one extra person on a flight is almost insignificant, said Sean Hennessey, the principal of Lodging Investments Advisors, a hospitality consulting firm. If a room is likely to go empty, he said, "a hotel can run a promotion to try to fill it."

Hotel promotions can range from discount offers for Broadway shows to special packages for people who want to recover from plastic surgery out of the sight of co-workers and neighbors. But, Mr. Hennessey cautioned, overuse of promotions can lead to price wars. "There is a bit of gamesmanship involved," he said. "If a room would otherwise go empty and it is being offered with a promotion, businessmen will call at the last minute to get the discount."

Airlines sometimes make their excess seats available through third-party online reservation systems like Travelocity and [Expedia,](http://www.nytimes.com/redirect/marketwatch/redirect.ctx?MW=http://custom.marketwatch.com/custom/nyt-com/html-companyprofile.asp&symb=EXPEV) but Mr. Dandapani says Apple Core does not use third-party systems to market its 750 guest rooms because the financial returns are insufficient.

"We have our own Apple Core reservation system that operates 24/7," Mr. Dandapani said, "And it produces about 40 percent of our reservations. The rest come from our brands."

The company has had its own Web site, [applecorehotels.com](http://applecorehotels.com/), since the mid-1990's and is planning to begin its own blog soon, to attract people who get most of their information from the Internet. It will be named [nogoldfishnowheatgrass.com](http://nogoldfishnowheatgrass.com/) and will contain information, travel advice and, of course, references to Apple Core, Mr. Dandapani said.

The blog's name derives from a statement on its home page, which emphasizes the hotels' focus on practicality over style: "If you're looking for a room with a trendy goldfish or a box of wheat grass, we're probably not for you."

The hotels that make up Apple Core have been 97 percent full recently, Mr. Dandapani said, but he noted that this year's prosperity came after three difficult years for New York hotels following the Sept. 11, 2001, terrorist attacks.

"We really are competing in a global village," he said, noting that New York lost tour groups to places like South Africa after Sept. 11, because of fears of further attacks on the city. He said he recently spotted people on Fifth Avenue handing out shopping bags that promoted travel to Britain and had the slogan: "If you like Fifth Avenue, you'll like the West End of London."

Because of this international competition, hotels try to provide an experience that matches those in other major cities. And because most visitors to busy places like New York use their hotel rooms mainly for sleeping, he said, hotel operators are placing much of their emphasis on the quality of the bed and the soundproofing.

"The sleep factor is critical," Mr. Dandapani said.

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