



# Divvying Up the Hotel I&T Budget

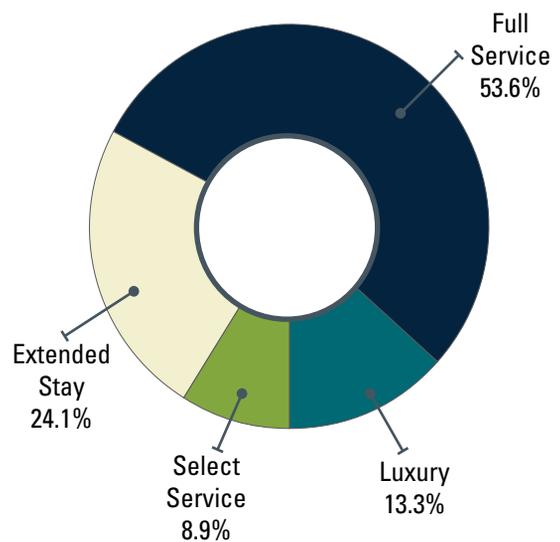
Data analysis indicates a decrease in information and telecommunication expenses in the United States between 2016 and 2018.

By Laura Resco



When the 11th revised edition of the *Uniform System of Accounts for the Lodging Industry (USALI)* was released in 2014, hoteliers were challenged with adding a new schedule for information and telecommunication (I&T) expenses. With an implementation date of January 1, 2015, many operators found themselves racing to meet the deadline and many missed the mark and were unable to report using the new standards in 2015. Now, four years have passed and HotStats has compiled data from hotels in the United States for the years 2016, 2017 and 2018 to track the most salient trends in this undistributed schedule. The hotels were also grouped into five different geographical regions in the United States — Midwest, Northeast, Southeast, Southwest and West — for a more detailed analysis.

## Participating Properties: by Asset Class



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### Three Year Analysis

I&T Total Expenses and Payroll showed a downward trend across all the analyzed years. On a per available rooms basis, it fell by 5.1 percent between 2016 and 2018, from \$4.89 to \$4.64. This decrease was even more pronounced when looking at the per occupied room data, falling in that same time period from \$6.48 to \$6, a 7.4 percent decline. From 2016 to 2018 there was 0.2 percentage point drop of I&T Expenses and Payroll as a percentage of total revenue, that went from 2 percent in 2016 to 1.8 percent in 2018.

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U.S. I&T Expenses	2016			2017			2018		
	PAR	POR	% Total Revenue	PAR	POR	% Total Revenue	PAR	POR	% Total Revenue
Labor Costs and Related Expenses	\$1.33	\$1.77	0.5%	\$1.34	\$1.73	0.5%	\$1.32	\$1.71	0.5%
Cost of Services	\$0.72	\$0.95	0.3%	\$0.62	\$0.80	0.2%	\$0.62	\$0.80	0.2%
System Expenses	\$2.21	\$2.92	0.9%	\$2.31	\$2.97	0.9%	\$2.30	\$2.97	0.9%
Other Expenses	\$0.63	\$0.84	0.3%	\$0.60	\$0.77	0.2%	\$0.40	\$0.52	0.2%
I&T Total Expenses & Payroll	\$4.89	\$6.48	2.0%	\$4.87	\$6.27	1.9%	\$4.64	\$6.00	1.8%

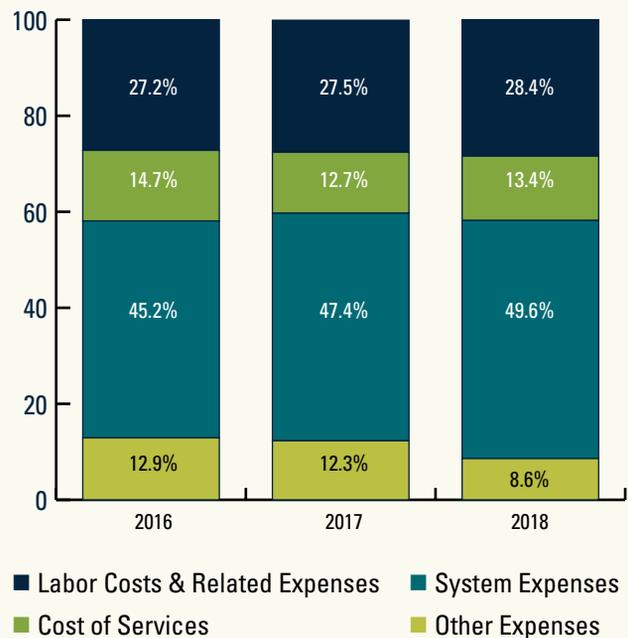
PAR = per available room • POR = per occupied room

### I&T Categories as a Percentage of Total IT Expenses

There are four major categories within the I&T Expenses schedule, namely labor costs and related expenses, cost of services, system expenses and other expenses. Of these, system expenses was consistently the highest across all years, both per available and per occupied room, and accounted for over 45 percent of I&T Total Expenses and Payroll in the sampled period. Labor costs and related expenses ranked second for all three years, growing from 27.2 percent of I&T Total Expenses and Payroll in 2016 to 28.4 percent in 2018.

While system expenses and labor costs and related expenses remained quite stable throughout the three years, with year-over-year differences ranging from \$0.01 to \$0.10 on a per available rooms basis, and from \$0.02 to \$0.05 on a per occupied rooms basis, the other two categories exhibited higher variability. Particularly, other expenses displayed the greatest decrease per available and per occupied room over the three-year period, falling by \$0.23 and \$0.32 respectively. The decreases in cost of sales were more timid, with drops of \$0.10 per available room and \$0.15 per occupied room, from 2016 to 2018.

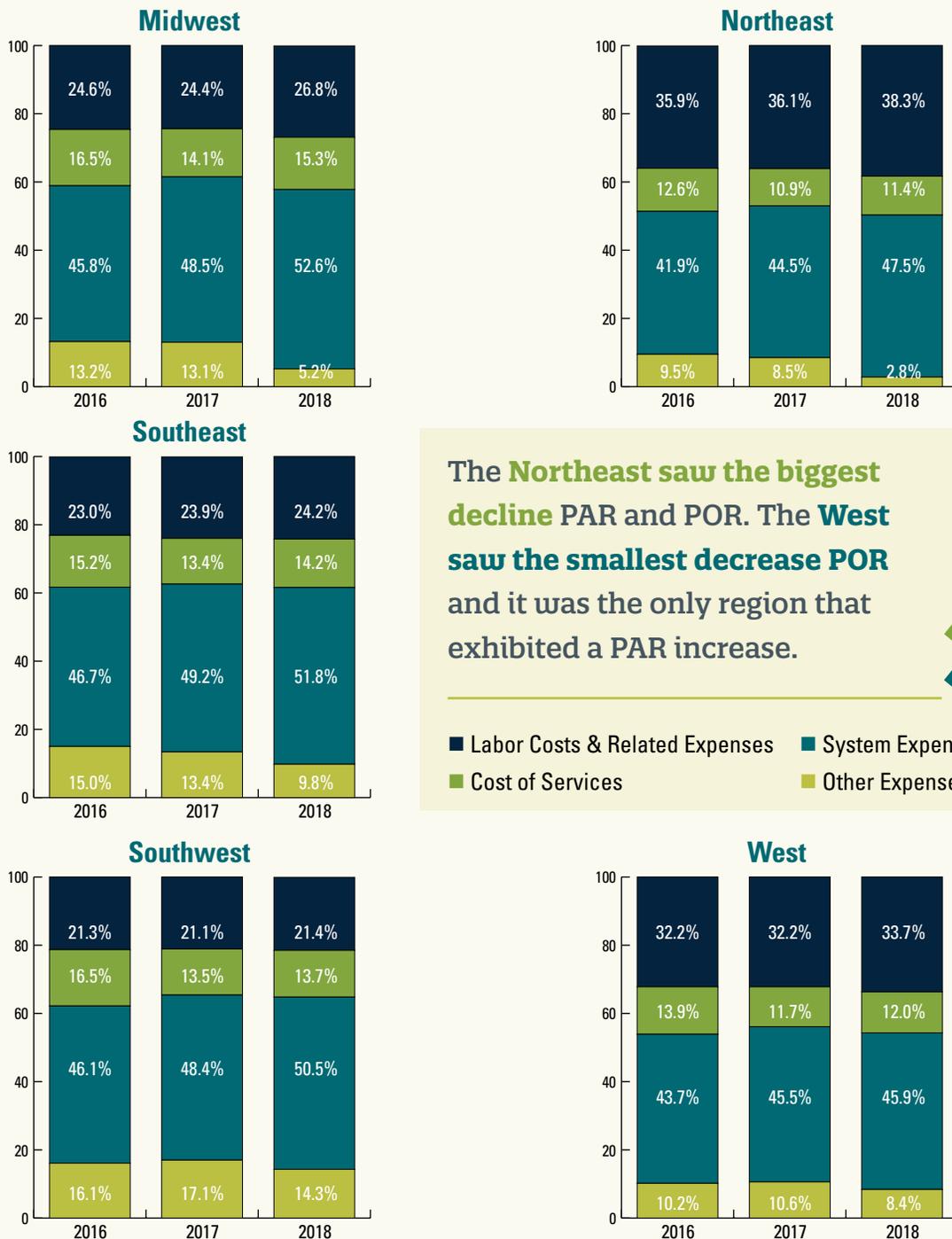
### Percentage of Total I&T Expenses



## The I&T Schedule by Region

In general, I&T Total Expenses and Payroll exhibited a downward trend when looked at by region. The Northeast saw the biggest decline per available and per occupied room from 2016 to 2018, with 8.2 percent (\$0.45) and 11 percent (\$0.75) drops respectively. On the other hand, the West saw the smallest per occupied room decrease, falling by 2.4 percent (\$0.14) in 2018 compared to 2016, and it was the only region that exhibited a per available room increase in the period — an uptick of 1.3 percent (\$0.06). As a percentage of total revenue, I&T Total Expenses and Payroll lost ground in all the sampled regions, falling by 0.3 percentage points in the Northeast and Southeast, 0.2 percentage points in the Midwest and the Southwest, and 0.1 percentage points in the West.

## Percentage of Total I&T Expenses by U.S. Region



The **Northeast** saw the biggest decline PAR and POR. The **West** saw the smallest decrease POR and it was the only region that exhibited a PAR increase.

- Labor Costs & Related Expenses
- System Expenses
- Cost of Services
- Other Expenses



As per the major components of the I&T schedule, system expenses remained the costliest, accounting for over 40 percent of I&T Total Expenses and Payroll across all regions and years in the sample. Moreover, it is the only category that grew consistently on a per available and per occupied room basis from 2016 to 2018 in the five analyzed regions. A ranking of the five regions according to their total I&T expenditure showed the Northeast as the number one spender per available room for 2016, 2017 and 2018, totaling \$5.46, \$5.32 and \$5.01 respectively. Also, this region exhibited the highest labor costs and related expenses per available room and the lowest other expenses per available room across all years. \*

**System expenses remained the costliest, accounting for over 40 percent of I&T Total Expenses and Payroll. The Northeast is the number one spender PAR.**

Expenses Per Available Room	Midwest			Northeast			Southeast			Southwest			West		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Labor Costs and Related Expenses	\$0.97	\$0.95	\$0.98	\$1.96	\$1.92	\$1.92	\$1.18	\$1.21	\$1.14	\$1.06	\$1.05	\$1.03	\$1.51	\$1.54	\$1.60
Cost of Services	\$0.65	\$0.55	\$0.56	\$0.69	\$0.58	\$0.57	\$0.78	\$0.68	\$0.67	\$0.82	\$0.67	\$0.66	\$0.65	\$0.56	\$0.57
System Expenses	\$1.81	\$1.89	\$1.92	\$2.29	\$2.37	\$2.38	\$2.39	\$2.49	\$2.44	\$2.29	\$2.41	\$2.43	\$2.05	\$2.18	\$2.18
Other Expenses	\$0.52	\$0.51	\$0.19	\$0.52	\$0.45	\$0.14	\$0.77	\$0.68	\$0.46	\$0.80	\$0.85	\$0.69	\$0.48	\$0.51	\$0.40
I&T Total Expenses and Payroll	\$3.95	\$3.90	\$3.65	\$5.46	\$5.32	\$5.01	\$5.12	\$5.06	\$4.71	\$4.97	\$4.98	\$4.81	\$4.69	\$4.79	\$4.75



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