

# THE OVERVIEW

ISSN 2048-4844 NOVEMBER ISSUE 2017

## HOSPAC - Hospitality takes on Brexit



**HOSPA award winners  
Asset management - security matters**

# Welcome to THE OVERVIEW

This year's HOSPACE event was heavy on the challenges, which are coming from all directions. Rising inflation, growing labour costs, labour shortages and general uncertainty, most of them caused or exacerbated by Brexit.

But, a year on from the HOSPACE Brexit panel when the move to leave the EU was fresh in our minds, the reunited speakers confirmed that which has dawned on the sector over the past 12 months - the hospitality sector is on its own.

Commenting at the time of going to press, HVS chairman Russell Kett said "The UK hotel industry has faced a stream of headwinds in recent years, including rising costs, supply growth, terrorist attacks, and the evolution of third-party distribution and sharing economies. However, the five-year trend suggests that hotel operators will continue to adapt and innovate to drive continued growth and profitability, and thereby value."

That innovation must now come to the fore. Revenue management will be key, with a move away from rooms to total revenue management, giving a clearer picture. We hear that more and more owners are looking to the brands not just for distribution, but also for their procurement abilities - Hilton Supply Management has seen demand for its services grow, not just from its own properties, but others under franchise.

But none of this can work without staffing. Centralisation from being part of a larger group is one method which a number of hotels are taking, as consolidation builds across the sector. But for those who have certain front-of-house requirements, other options must be sought. Ordering apps, currently being pushed by the likes of Starbucks and JD Wetherspoons help efficiency. But this is to fiddle on the side. British residents must be persuaded that there are careers and not just entertainment to be had in our businesses.



*Katherine Doggrell*

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# HOSPA

Hospitality Finance, Revenue and IT Professionals

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## A good conference call

**Attracting a record attendance of nearly 500 delegates, HOSPACE2017 certainly lived up to our expectations and much more. We were delighted by the overwhelmingly positive response from attendees to the excellent conference sessions, breakout workshops, technical updates and exhibition.**

The 'HOSPACE2017 Best Entrepreneur' competition once again proved very popular and big congratulations go to this year's winner Julie Grieve, Founder and Chief Executive of Criton Apps, who did a fantastic presentation on her company's self-build guest app service to hotels and serviced apartments.

I am very grateful to the HOSPACE sponsors for their invaluable support. They - and the exhibitors - were pleased to be able to network with such high calibre, influential hospitality delegates in an atmosphere buzzing with excitement and expectation. The success of the day not only owed much to the first-rate speakers, sponsors and exhibitors, but also to the small band who make up our HOSPA Membership and Events team. I am immensely proud of them.

I would also like to offer special thanks to the Royal Lancaster Hotel for hosting us so well; and our master of ceremonies for the day Peter Hancock who, with his usual charm and wit, did a superb job in ensuring the smooth running of the event. Katherine Doggrell's full conference report can be found on page 4.

That evening, the HOSPACE Gala Dinner saw Peter Hancock miraculously turned into a toastmaster par excellence; and diners were highly entertained by former England and Harlequins rugby union captain Nick Easter's reminiscences of his playing days.

The dinner was also notable for the awarding of HOSPA's three annual prestigious Inspirational Leader Professionals of the Year awards for hospitality finance, revenue management and IT. The 2017 winners were respectively: Cesco Righetti, Director of Finance, The Bulgari Hotel, London; Anaël Peu, Director of Revenue Management, Kew Green Hotels; and Barry Thomas, Area Director of Information Technology, Rosewood London. Big congratulations to all of them and thanks to the sponsors of each award category: BDO, IDeaS, and Opendoor by Keystone Solutions.

A record attendance at HOSPACE2017 has not been the only recent HOSPA milestone. A fortnight prior to our annual conference and exhibition, we held HOSPA's inaugural Asset Management members' meeting on 18 October. I am pleased to announce that we are now creating a fourth HOSPA community, dedicated to asset management. This will operate alongside our existing three communities of Hospitality Finance, IT and Revenue Management.

I am delighted that Diana Mountain, former chair of the HOSPA Finance Community (through until 2014) has agreed to lead this initiative, for which we are very grateful. Recognition must also go to HOSPA (then known as BAHA) founder member and

HOSPA lifetime achievement award winner Howard Field, and to David Bridge, Director of Adafabridge Hotel Consultancy, who both set me on the Asset Management path.

The first Asset Management meeting was generously hosted by the Sofitel London St James and was led by Russell Kett. Russell is another founder member and HOSPA lifetime achievement award winner. He expertly moderated the highly knowledgeable and experienced panel - comprising Cody Bradshaw, Managing Director Acquisitions & Asset Management, Starwood Capital; Frank Croston, Partner and Director, Hamilton Hotel Partners; Hugh Taylor OBE, Chief Executive, Michels & Taylor; and Katie Benson, Regional Vice President Europe and General Manager, Jumeirah Carlton Tower London.

The meeting quickly established that owners are relying more and more on asset managers to look after their interests. There are fewer owner-operators left in the hotel industry and the profit pie is being divided amongst ever more participants.

Over 60 delegates listened to the discussion, instigating much debate, which left many questioning the future of hotels as we know them!

- Lawyers weave clauses into management contracts - such as compliance with the Uniform System of Accounts for the Lodging Industry (USALI), but does anyone understand what such clauses mean? Potentially more importantly, what are the implications of non-compliance?
- Who is making sure that the operator is calculating their management fees correctly?
- How are costs being reported, above or below Gross Operating Profit (GOP) for the calculation of incentive fees?
- What is being recorded as owners' expenses that should be charged above the line?
- Brands bring a lot of costs to the business - is the added value increasing in line with the costs? Distribution may be enhanced but is it worth the extra room booking charges, loyalty programme costs and central overhead recharges?
- Does the one-size-fits-all brand approach apply to individual hotels?
- Does every hotel have to provide a fruit bowl for their guests if that's what the Standard Operating Policy (SOP) says? What if fruit is out of season and/or very expensive?
- Franchises offer a simple income stream without all the central overheads
- Is there a role for operators in the future?

Certainly, there is plenty of material there to keep the asset management community busy. We wish them luck and wait with eager anticipation for more events in this field during 2018.



## → HOSPSPACE

# The hospitality sector is working to find its own solutions to Brexit, according to HOSPSPACE2017



**The conversation during the networking breaks may have been filled with the latest political scandals, but it was how to respond to efforts by those denizens of the Palace of Westminster to negotiate in favour of the UK which dominated the day's debates at HOSPSPACE2017.**

Nearly 500 delegates attending HOSPSPACE's annual Conference and Exhibition - held at the Royal Lancaster Hotel in London - listened to comment on migration, technology and the myriad of challenges and opportunities facing the market.

Attendees gathered for the reunion of last year's panel on Brexit, eager to hear how opinion had shifted. The issue of staffing was key, with Jeremy Robinson, Partner, Watson Farley Williams, telling delegates "Immigration is a fundamental issue to resolve. The question of bringing in visitors to the EU must also be addressed. Whilst we can't expect anything from our government as a sector, we can keep the pressure up over aviation and migration."

Mark Essex, director, public policy, KPMG, added: "There

aren't many certainties around Brexit, but the cost of wages is going up. Rather than lobbying government, I would look at what I can do to mitigate what can only be upward wage pressure. Retention is important. Productivity and innovation is important.

"We have businesses who are assuming a Brexit cliff edge and actively planning for that."

At one of the many workshops which took place during the event, attendees heard from Eproductive and the University of Surrey that the number of hours worked by UK employees had gone down, in addition to the number of UK employees, while labour from the EU was up and the number of hours EU labour had worked was up.

Professor Andrew Lockwood, University of Surrey said: "I couldn't possibly comment on whether EU workers are more productive than UK workers. Revenue over the period went up as labour went down, which must mean that productivity has increased."

With costs rising as a result of the falling pound and rising labour costs, one area in which hotels were being encouraged to economise was in the drive to direct bookings, with the branded hotel operators using their loyalty programmes to offer discounted rates, with varying responses from owners.

Carol Dodds, VP commercial, UK, Interstate Hotels & Resorts, said: "We have seen definite rate cannibalisation, but we are hoping to build a loyal base and strong lifetime members. When member discounts came around and we pushed that through the metasearch engines there was a massive share shift, but the different OTA terms forced us to come out of being so visible and it became quite difficult."

Hotels were encouraged to play the long game, with Steve Lowy, Chairman, Hotel Marketing Association, commenting "What has to happen is that hotels need to look at commission spend - hotels need to look all the way down. Hotels need to look long term at marketing and staff training and at their websites - customers become loyal to OTAs because of the booking process, not always the price. The book direct message also needs to filter down to the receptionists. The franchise model has potentially caused lots of challenges."

The sector is currently facing a number of issues around technology, including that of security, with Ted Horner, Managing Director, EH&A, leading the debate around cyber attacks and how to keep guests and employees safe.

Horner said "In 2021 it is estimated that there will be \$6 trillion in fraud and cybercrime. Now, it has a greater revenue than the drug trade. Cyber crime is growing because it is low risk and low cost. Point of Sale is the greatest area of threat in hotels - the area needs to be focused on in management agreements. At some point you are going to get hacked."

Addressing this, David Derbyshire, Director, IT service delivery, Hilton, and chair of the HOSPA IT committee, said: "When you do your homework on data, look at legacy and stored data. And look at your third parties. Someone's presence and identity is key to the contract with your guests. If you have a breach, imagine the impact on trust."

"But," added David Nicolson, VP finance, Jumeirah, and chair of the HOSPA finance committee, "you're only as good as your weakest link. The answer is to have multilayered systems, protect your most important data with the greatest investment."

Making the matter more complex are the demands of customers, with Horner asking "Have we reached a stage when we are so eager to remain online that we ignore attaching to unsecured networks? We have traded off the need for privacy and security if there's something in it for us. With the Amazon Echo, are we so concerned that there's a device listening? As we move to an internet of things world, everything is connected with iBeacons - are we also creating more opportunities to be hacked?"

It's not just those who call hotels their temporary home. Michael Heyward, managing director, Heyward Hospitality Solutions, added: "The breadth and vulnerability of our staff is also something which we need to be aware of, in addition to guests."

HOSPACE pointed to an industry influx, which was illustrated by an interview with Sally Beck, General Manager of the Royal Lancaster London, where the conference was held. Beck told the delegates that the hotel was due to have become the headquarters of Barclays Bank, but because of a shortage of hotel rooms in London in the 1960s, the developers were incentivised to create a hotel instead. The main conference room had been earmarked to be a bowling alley. Delegates would no doubt agree that the better choice was made.

Next year's HOSPACE2018 Conference and Exhibition will take place at The Royal Lancaster London on 1st November 2018.





# Optimism creeps up

The BDO Monthly Trends Indices are ‘polls of polls’ that pull together the results of all the main UK business surveys. This edition of the BDO Business Trends Report gives the Index numbers at the beginning of November 2017, using the results from business surveys that were carried out between the first and last days of the previous month.

In September, the BDO Output Index declined to 99.06. This indicates growth in October was just below the UK’s long term average, as the index is scaled such that a reading of 100 represents long term average growth. The index fell for services, while manufacturing increased marginally.

The Office for National Statistics (ONS) released preliminary statistics on UK growth for the third quarter of the year. The economy is estimated to have grown by 1.5% year-on-year in July to September. In quarterly terms, output expanded by 0.4%, slightly up from the 0.3% growth seen in Q1 and Q2.

Growth was once more driven by services, whose output expanded by 1.5% year-on-year. Meanwhile, all four main subsectors of production expanded, including the important manufacturing subsector, which accounts for the majority of the sector’s output.

The BDO Optimism Index climbed to 103.17 in October, from 103.07 in September. The Manufacturing Optimism Index rose to 109.57 - its highest value in over two years. The improvement in official manufacturing data means that official figures are moving closer to the strong confidence seen in the sector.

The BDO Inflation Index fell slightly to 101.17 in October, from 101.45 in September. ONS data showed that inflation increased to 2.8% year-on-year in September, according to the Consumer Prices Index including owner occupiers’ housing costs. The rise in inflation was primarily driven by accelerating food price inflation. Higher prices in the recreation and culture category and rising transportation costs also put upward pressure on inflation.

The BDO Employment Index fell slightly to 111.39 in October. Despite the slight decline, the index remains at high level - the fourth highest on record. The latest official data on the labour market showed the employment rate remained above the historic mark of 75% for a third consecutive reading in the three months to August.

Self-employment, which has been on the rise in recent times, may be partly responsible for the divergence in UK labour market measures - whereby ultra-low unemployment contrasts with subdued wage growth and poor productivity growth.

## Service sector slowdown expected in October

- In October, the BDO Output index stood at 99.06 down from 99.95 in September. The index posted below 100 for

the second consecutive month, suggesting that output is currently growing at a slower rate than its long term trend.

- The fall seen this month was driven by a (circa) one point fall in the BDO Services Output Index, which dropped from 100.25 to 99.24 over the month. Meanwhile, the Manufacturing Output Index improved marginally, but at 97.63 put in a worse relative performance than that of services.
- Preliminary figures for Q3 GDP growth, released this month, show that the economy by 1.5% year-on-year.
- Looking at the sectoral breakdown it highlights that growth was once more driven by the services sector which expanded by 1.5% year on year. Production also contributed to growth this quarter, expanding by 1.6% YoY. All four main sub-sectors of production expanded at reasonable rates, including the important manufacturing sub-sector, which accounts for almost three-quarters of activity in the production sector.
- The BDO Output Indices point toward a service sector slowdown in the final quarter of the year, if November and December readings mirror that seen in October.

## UK employment index remains elevated

- In October, the BDO Employment Index fell from 111.68 to 111.39. This is the first decline in the index since June 2016.
- Nevertheless, the Employment Index remains near its record high, reflecting the soaring levels of labour market participation shown in official data in recent months.
- In the three months to August, official data showed the employment rate fell back slightly to 75.1% from 75.3%. Nevertheless the employment rate remains above the historic mark of 75% for a third consecutive reading.
- Self-employment has been on the rise in recent times. Five million people - 15% of workers - are now self-employed.
- Self-employment takes many forms though: from entrepreneurs and “one man band” business owners, to consultants and contractors across industries and pay scales. New technology has also led to the rise of the “gig economy”. These jobs are often less secure than traditional roles.
- The continued growth of this form of employment may be partly responsible for the two-tale story of the UK labour market, whereby ultra-low unemployment contrasts with subdued wage growth and declining productivity growth.

# Data mine...or yours?



**The European Union General Data Protection Regulation that was announced in April 2016 put in place a substantial mandate on EU-based organisations, as well as any organisation doing business with EU citizens. The GDPR will be in force in the EU starting May 25, 2018 posing significant challenges to the hospitality industry as one that manages a vast amount of personal data.**

To address this question, Hospitality Financial and Technology Professionals united a multidisciplinary team of experts to address the different facets of the impact of the GDPR in the hospitality industry. The task force met in July 2017 to prepare for the upcoming deadline.

Lucinda Hart, CAE, MBA, HFTP chief operations officer, explained: "The GDPR is greatly impacting the hospitality industry and the dedication that HFTP and our members have committed to industry awareness demonstrates HFTP's commitment to assisting our stakeholders in finding solutions to their challenges more efficiently than any organisation."

When the task force met this past summer it set out to address the following:

- Identify the major challenges for the industry to achieve compliance, as well as the stakeholders involved;
- Provide guidelines to enable the industry to assess their specific needs to achieve compliance on time;
- Define the specific features of a Hospitality Data Protection Officer job role, and resulting from this, propose the structure of a HFTP HDPO certification;
- Establish a communication policy to create awareness within the industry.

As a result of the meeting, the group detailed the needs to be addressed within each of these areas as we move forward over the coming months.

## Challenges and Stakeholders

### Management of Client's (Customers) Consent

From the client's perspective:

- How to obtain the specific, informed consent required by

GDPR while avoiding overwhelming the customer with large forms and excessive questions.

From the operation's perspective:

- How to comply with GDPR requirements of purpose, accessibility, availability and security of the personal data.
- How to identify, locate, modify and/or delete client's personal data from the operators' systems.

From the organisation's perspective:

- Identify the extent of client's consent in multi-stake operations, stakeholders, systems vendors (PMS, CRM, etc); distribution and marketing; loyalty programmes.

## Management of Personal Data Within Organisations in the Industry

Identify responsibility of the management of personal data in multi-stake operations:

- Owner/operator and owner/operator/franchisor.
- Multi-brand operator and multi-brand owner.
- Assess the GDPR impact in management contracts and franchise agreements.

Personal data export:

- GDPR impact on multinational companies operating within and out of the EU limitations to data export.

## Management of Data by Third Parties

- Categorise third parties within hospitality arrangements according to the GDPR law (controller/processor).

- Third party vetting: processes to ensure that third parties comply with the law.

## Guidelines (Needed)

- GDPR compliant privacy policy.
- Compliance with GDPR outside EU.
- Who needs a DPO? Considering the wide range in size, footprint and characteristics of the different parties in hospitality (including hotels, restaurants, clubs, etc.).
- List of definitions: controller and processor, entity, privacy impact assessment, privacy by default, etc.

## Hospitality Data Protection Officer

- Profile of the DPO for hospitality.
- What profile is best for a hospitality DPO?
- Conflicts of interest - who can and who cannot be a DPO?
- Job Description of the HDPO.
- Specific features of the HDPO versus a generic DPO.
- HDPO certification and structure.

## What's Ahead

The initial meeting in July was designed to define the work that is ahead of us, and as a result the members are working towards building the guidance we are tasked with producing. In the coming months the group members have been given specific assignments

to address the points outlined above. Projects ahead of us include:

- Design a registration card.
- Diagrams of personal data flow in the different type of organisations.
- Examples of data flows.
- Examples of Hospitality Project Management.
- HDPO job description and executive summary review.
- List of conflicts of interest.
- List of reporting lines.
- Examples of certifications.
- List of definitions.

Create a standard template for (PMS) vendors to request progress details towards GDPR compliance:

- Privacy Policy that is GDPR compliant.

As the HFTP DPO Task Force moves forward, look for updates on the HFTP website.

Written by Alvaro Hidalgo, chair of the HFTP DPO Task Force. He is also the managing partner with FIRSTLOGIC Consulting based in Spain. He is the former Director, Morocco at ENEFIT, the largest oil shale processing company in the world. Hidalgo was also previously the CFO at ASCARI RACE RESORT. He is known for strategy analysis and implementation, market entry, project planning, and compliance with multiple legal and financial frameworks.

# → THE BUDGET

## Budget disappoints

**Philip Hammond's first Budget under May's minority government was focused on Millennials, not business.**

"Philip Hammond has yet again failed to grasp the nettle that is stinging businesses large and small up and down the country and missed a trick in today's Budget to introduce some serious much needed reform to the business rates system," said John Webber, Head of Business Ratings at Colliers International.

The Chancellor announced he would;

- Use the lower CPI (3%) instead of RPI (3.9%) inflation figures when calculating the rates rise next April.
- Provide respite for those businesses that suffered from the Supreme Court's decision to uphold the so called "staircase tax" and making sure any that suffered would be able to claim payments back.
- Pubs with an assessment of under £100,000 will continue to receive £1,000 per annum of rates relief until March 2019.
- Move to shorter revaluation period- every three years.

Webber said: "Business rates are now at an eye watering tax rate of 50% for every £1 of rental value bringing in £25bn per annum and rising. So, whilst we are pleased the Chancellor has listened to our longstanding call to peg business rate rises to CPI, which at 3% is lower than the RPI 3.9%, it's a shame the Government has taken so long to do this. Also, while a 3.9% rise

would have resulted in a £1bn extra tax take next April, a 3.0% rise is hardly a tax holiday. It will still mean a £750m rise for hard pressed businesses in their business rates bill."

Turning to the staircase tax, Webber comment, "The staircase tax reversal will be interesting as in our opinion it should never have happened in the first place. A return to pre Mazars is a common-sense approach- but unfortunately many businesses will now have to go through a no doubt expensive appeal process. The Finance Officers in Billing Authorities up and down the country may now be scratching their heads as how to implement this. Places like Tower Hamlets were major beneficiaries of the tax and they will have to refund the monies paid back to 2010. While it may have been an unforeseen windfall at the time, it will undoubtedly have already been spent and it will be interesting to see how they fund this!"

The extension of the discount rate for pubs was, according to Webber "small beer" and will make little difference to a sector hammered by the rates system, where many are going under due to increased costs and many rebates have not yet got through.

However, on the positive side, Webber does welcome the move to three yearly valuations, something Colliers have been calling



for some time. "At least they've now admitted that the seven year revaluation period was an absolute howler for the distress it gave to businesses, many of whom saw their business rates shoot up suddenly (based on property rises in the period). Three years will be much better for businesses forecasting their finances." he said.

Overall Webber was disappointed, not in what the Chancellor said, but in what he did not say in the Budget, "All this is still tinkering round the edges. We still have a business rate system in massive need of reform, a retail sector that has been hit for six by the rate rises following the seven-year revaluation receiving little relief and an appeal system, commonly acknowledged by rate payers as not being fit for purpose. Many businesses find the new CCA appeal system unworkable and impossible to negotiate. Hammond has totally failed to acknowledge this and yet again businesses are left stranded in a world of higher and higher taxes and layers and layers of bureaucracy."

Darren Seward, hospitality specialist at NFU Mutual, added: "It is promising that concerns about the unfairness of business rates are being listened to, although further reform to the business rates system is needed to provide business owners with the security they need. Pubs with a rateable value of under £100,000 will welcome the continuation of the £1,000 discount rate for a further year, but they alongside all other businesses under the current rating system will be seeking further assurances to give them confidence for the medium to long term future. Bringing forward the switch to the CPI inflation index to April 2018, and the ability for businesses to have rates revalued, will go some way to improving the

fairness of the system in a measure that the Chancellor says will save businesses £2.3bn."

Seward was hopeful that the Chancellor had bought in some measures "to keep the vibrant social spaces of the community alive - our pubs and high streets".

He added: "Frozen duties on ciders, wines, spirits and beer, fuel, and short haul air passenger rates will be welcomed by the industry and revelling consumers alike, and exemption for 'white van men and women' from increases on the new diesel vehicle supplement will provide breathing room for those particularly in hospitality, food and drink and retail to keep deliveries efficient.

"Those running small hospitality businesses will [also] heave a sigh of relief that despite speculation, they won't be faced with expensive accounting admin as the Chancellor has decided to keep the threshold for VAT registration at £85,000, in recognition of small businesses as the backbone of the country's economy."

The question of the increase in the National Living Wage has been much on the mind of the sector, but had largely been priced into expectations. Seward said: "Increasing the National Living Wage to £7.83 is positive for workers, but the question remains regarding where the stream of workers will come from after Brexit. Announcements regarding £20m investment in T-Levels to educate are promising, and how in actual terms young people will be inspired to build their careers in the hospitality industry remains to be seen."

To build careers in the hospitality sector, please get in touch with HOSPA's Education team.



## Warren House: “Elegant, Comfortable, Welcoming”



**Warren House is the epitome of Victorian grandeur. The Grade II listed building is set within four acres of beautiful grounds and has a rich history spanning some 150 years, originally starting life as a private residence for a wealthy family.**

With its timeless elegance and tranquil surroundings yet conveniently located within the London commuter belt, close to Kingston-upon-Thames, Warren House has today transformed not only into a fabulous hotel, but an ideal venue. With its nine ground-floor reception rooms and 46 bedrooms, it plays host to corporate meetings, events and private celebrations, including weddings.

The popularity of Warren House isn't just down to the surroundings however; it has established a reputation for serving delicious, seasonal cuisine and afternoon teas. You only have to take a quick glance at reviews left on TripAdvisor to see that guests are more than impressed, with popular search keywords including “hidden gem”, “beautiful hotel” and “feature rooms”, and many reviews commending the chefs on the quality and choice of food.

We spoke with Operations Manager, Ben Frizell, to discuss the challenges he faces in his daily role, particularly when it comes to walking the fine line between providing the catering team with the freedom to express their creative flair on contemporary dishes for guests, versus managing costs so savings achieved can help towards maintaining the beautiful building and grounds:

“When I joined Warren House five years ago as F&B Manager, my focus was very much on the overall management of our food operations. From overseeing staff, to purchasing food and stock, to making sure everyone is properly versed with food preparation, health and safety standards and everything in between. Then, in 2013, I was promoted to Operations Manager and my remit widened further to include the smooth running of Warren House.”

This is no mean feat when you consider that in one year alone, Warren House typically hosts an average of 40,000 guests, 25 large scale social events and 25 high class

weddings, and this is with the venue running at 65% occupancy for its 46 bedrooms.

Continues Ben: “When it comes to managing the day to day operations, the very stature and history of the building brings with it its own challenges. The fabric of the listed building requires careful maintenance, and this means ongoing investment. Only recently, we refurbished our kitchen, updated flooring and had remedial works undertaken on the chimney stacks - this takes careful planning from both an operational perspective, and of course, from a financial point of view.”

Having previously worked as the Assistant Catering Operations Manager at Aberdeen Exhibition and Conference Centre, Ben brought with him a great deal of experience in managing a venue that welcomes around 300,000 visitors every year. As such, he got to work on identifying ways that Warren House could make improvements.

“One of the first steps was to look at how we were buying our goods and services,” confirms Ben. “When I sat down to look at this in detail, it was clear that it was all rather informal. We had a variety of suppliers, all with different terms and conditions, and from experience I felt that consolidating our purchasing where possible made sense. Having worked with procurement companies before, I knew we'd benefit from the buying power so I took steps to make this happen.”

Pelican Procurement was selected to support Ben with his procurement overhaul and an important part of this process was to work in conjunction with the complete catering team to not only evaluate their product preferences and needs, but to deliver assurances that they would still have freedom to make choices regarding product and ingredient selection.

Explains Ben “At first the chefs were resistant to the idea of working with a third party for procurement; after all chefs don't



want to lose control of their buying. They want to have the freedom to be creative with their menus so they can give guests a dining experience to remember. Pelican was quick to reassure however and demonstrate that a formal tender would instead provide the best of all worlds: better visibility and supplier management, a reduction in costs, plus flexibility of products that would suit our chefs.”

Ben worked with the team to independently analyse all product lines - fresh, frozen, dairy, meats, linen, uniforms and more - to see the lay of the land and agree the chef's requirements before managing a formal tender process. The output was an immediate cost saving of over £40,000, which calculates to about 14% of the annual budget.

Confirms Ben: “The proof was in the pudding - we had agreed all product lines with the catering team and following the completion of the first tender achieved 14% financial savings. Not only that, Pelican was able to agree supplier deliveries to suit. Everyone was able to see the benefit and so it worked very well.”

“Importantly, the catering team have been involved in the process - they haven't lost control of purchasing, but instead have been able to get the products they want on our agreed lists, whilst making savings at the same time; savings that can be used towards a range of needs, including the ongoing maintenance of our much admired building.”

Ben continues to work with the procurement team at Pelican, who support Warren House with managing ongoing supplier relationships. Adds Ben: “If there is an instance where a supplier doesn't hold up their end of the deal, Pelican is able to sort it.”

In addition, the team at Warren House has started using a centralised online procurement system that helps with stock management and e-billing, as well as supporting the catering team's menu development by analysing costs down to the price-per-serve, in addition to delivering integrated allergen information.

“I'm sure we've only touched the surface of the system yet I'm now able to access management reports so I can quickly see what is being spent where. We are able to manage our stock very easily too, as well as directly manage orders, while the e-billing automatically pays suppliers so my inbound paperwork is becoming less and less. To bring everything together in one place, gives me a great sense of control and visibility over our product purchasing.”

Concludes Ben “The way in which our food and beverage procurement is managed has improved for the better. Our chefs are open to receiving suggestions from Pelican and trust the impartial advice being provided. They are not aligned with any suppliers but instead have our best interests at heart: this has resulted in many benefits for Warren House as a whole.”





## Hotels missing a slice of the F&B cake



**Hotels are missing out on valuable food and beverage (F&B) sales by not offering customers an incentive at the time of booking, according to research by CGA and Zonal's GO Technology report.**

The latest GO Technology report, which polls 5,000 GB adults, reveals that 54% of leisure customers and 45% of business users cite price as a barrier to dine at a hotel's on-site restaurant. However, 50% and 43% respectively would consider making a reservation if they were offered an incentive at the time of booking.

A further 45% of 18 to 34 year olds would also be more likely to order room service from the restaurant if they could use their smartphone, with the figure rising to 62% for those that are likely to dine onsite for lunch. This is in line with a growing trend in the general hospitality sector, whereby 67% of consumers said they'd spend more if they could order from their mobile device.

The GO Technology research also reveals that people staying for leisure prefer a more independent approach, with 52% staying with an independent hotel operator compared to 25% for business customers.

Rhys Swinburn, managing director of hotel management system, High Level Software, part of the Zonal Group, said: "Our research indicates that consumers prefer a more personal approach when it comes choosing where to stay, giving hoteliers a real opportunity to capitalise on this captive market. As the squeeze on margins tightens, it's vital that hoteliers maximise every revenue stream, with F&B being an obvious opportunity. Giving guests the chance to reserve a

table, coupled with an offer at the point of booking their stay is likely to have a positive impact on trade.

"This is where technology can help encourage hotel guests to extend their dwell time in the bar and restaurant. The potential to integrate PMS with EPoS can take things to a new level, giving hoteliers insight into their customers' behaviour and how best to communicate with them. Also, the growth in using mobile devices to access offers, order and pay for food and drink is something that hoteliers need to tap in to. It's a strong opportunity to drive additional revenue streams that hoteliers can't afford to ignore."

Working in partnership with Zonal and CGA, the GO Technology report tracks consumer attitudes and experiences with technology when eating and drinking out. The research is conducted quarterly to gain an insight over a period of time to measure consumer behaviour and trends, helping operators to keep one step ahead.

CGA Director, Jamie Campbell, said: "It's clear that consumers still see price as a barrier to visiting an on-site hotel restaurant. To combat this, hotels must consider themselves part of the high street offering and use technology to engage and improve consumer perceptions. Making the path to purchase easier, or improving value perceptions through mobile ordering and relevant incentives is a key place to start."

# 2017 Hospitality Career Investment Development Scholarship winners

The winners of the 2017 ‘Hospitality Career Investment Development Scholarships’, sponsored by IDEaS, were announced and publicly recognised at HOSPSPACE2017 Conference and Exhibition, held at the Royal Lancaster London.

At the event, Pat Jones, Manager - Accounts, Hospitality & Real Estate, Old Course Hotel St Andrews Golf Resort & Spa, St Andrews, Scotland, won a special HIT Scotland/HOSPSPA Scholarship. The scholarship is open to applicants from all levels and sectors of Scotland’s hospitality industry, offering learning experiences for career development.

winners - all under 30 years of age - won the opportunity to learn from, be noticed and publicly recognised at HOSPSPACE2017. That evening, they also attended the HOSPSPA Gala Awards Dinner; and will be profiled in The Overview. The winner of the special HIT Scotland/HOSPSPA Scholarship, Pat Jones, also received the same HOSPSPACE2017 and The Overview reward as the other HOSPSPA scholars.

The 2017 HOSPSPA Career Investment Development Scholarship winners and their nominators were:

- Sofia Vallasciani, a BA (Hons) Hotel Management undergraduate at The Edge Hotel School, University of Essex/Wivenhoe House, Colchester. She was nominated by Andrew Boer, Principal of the Edge Hotel School.
- Sukhman Singh, studying for a BSc (Hons) in International Hospitality Management, Oxford School of Hospitality, Oxford Brookes University. He was nominated by Dr Kate Ringham, Programme Lead for Postgraduate Hospitality, Oxford School of Hospitality, Oxford Brookes University.
- Sarah Waddington-Azambuja, a BA (Hons) International Hospitality Management undergraduate at Brighton University. She was nominated by Helen Atkinson, Principal Lecturer, School of Sport and Service Management, University of Brighton.
- Rhodric Allen, studying for a Bachelor of Business degree in Administration in Hospitality Management at Glion Institute of Higher Education, London. He was nominated by Yaneal Patel, Lecturer and Subject Leader at Glion Institute of Higher Education.

Commenting on the scholarship winners, HOSPSPA Chief Executive Jane Pendlebury said: “We were delighted to honour at HOSPSPACE2017 our third ever winner of our special joint HOSPSPA/HIT Scotland Career Investment Development Scholarship - Pat Jones. HIT Scotland does such an excellent job in assisting people to achieve their potential within Scottish hospitality, and we look forward very much to welcoming more HIT scholars from north of the border in future years.

“Huge congratulations go to all our 2017 HOSPSPA Scholarship winners. I am sure that HOSPSPACE2017 will have proved extremely beneficial to Pat, as indeed it will have been for the four, talented university and hotel school students who could well pursue future careers in hospitality finance, revenue management and IT.”

Head of Professional Development Debra Adams added: “HOSPSPACE2017 will have given all our scholarship winners an invaluable platform for enhancing learning and networking with top industry experts and leaders, whilst gaining recognition from the hospitality profession at large. The awards underpin HOSPSPA’s commitment to the future of the industry through the ongoing provision of professional development.”

The 2017 HOSPSPA Career Investment Development Scholarship



Back Row: Warren Mandelbaum - Sales Director EMEA - IDEaS, Rhodric Allen, Andy Boer - Principal Edge Hotel School, Pat Jones, Sukhman Singh  
 Front Row: Helen Atkinson - Lecturer Brighton University, Sarah Waddington-Azambuja, Sofia Vallasciani, Jane Scott, HOSPSPA Professional Development, Cathy Burgess, Lecturer - Oxford Brookes



## → INSPIRATIONAL LEADERS

# 2017 HOSPA Inspirational Leader Professionals of the Year Awards for Hospitality Finance, Revenue Management and IT



The winners of the 2017 prestigious annual ‘Inspirational Leader Professionals of the Year Awards’ - for Hospitality Finance, Revenue Management and IT - were announced at the HOSPACE2017 Gala Awards Dinner.

The winners were:

- 2017 HOSPA Inspirational Leader Professional of the Year for Hospitality Finance, sponsored by BDO: Cesco Righetti, Director of Finance, The Bulgari Hotel, London.
- 2017 HOSPA Inspirational Leader Professional of the Year for Hospitality Revenue Management, sponsored by IDEaS: Anaël Peu, Director of Revenue Management, Kew Green Hotels.
- 2017 HOSPA Inspirational Leader Professional of the Year for Hospitality IT, sponsored by Opendoor by Keystep Solutions: Barry Thomas, Area Director of Information Technology, Rosewood London.

Presentations of engraved crystal trophies were made to each of the award recipients at the Royal Lancaster London by the Chairs of the HOSPA Finance, Revenue Management and IT committees - David Nicolson, Ally Northfield and David Derbyshire respectively. They were assisted by the sponsors of each award: Stuart Collins, Partner, BDO London; Warren Mandelbaum, Sales Director EMEA, IDEaS; and Andrew Evans, Chief Executive, Opendoor by Keystep Solutions. Also taking

part in the ceremony were guest speaker: former England and Harlequins rugby union captain Nick Easter; and the host of HOSPACE2017: Pride of Britain Chief Executive Peter Hancock.

The three winners were nominated by HOSPA Fellows and Members, and then put forward to a special HOSPA selection committee. The recipients had to have: an exemplary track record; be willing to train and lead their staff; be totally dedicated to the hospitality industry, with the intention of remaining in the profession; demonstrate strong attention to detail; keep abreast of current codes of practice; and command respect within the hospitality sector and wider business community.

Commenting on the awards, HOSPA Chief Executive Jane Pendlebury said: “Huge congratulations to our three inspirational winners and our commiserations to the seven excellent finalists who made the final decision such a hard choice. They have all demonstrated exceptional leadership ability and professionalism in, and dedication to, their chosen fields of hospitality expertise.”

Comments made by nominators of this year’s deserving recipients included the following



For HOSPA2017 Finance winner Cesco Righetti: "He is extremely approachable and helpful. He has considerable depth of experience and a particularly strong commercial sense. It is evident that Cesco is very committed to the financial and operational success of the hotel."

For 2017 HOSPA Revenue Management winner Anaël Peu:

"Anaël is an inspirational leader of people. He has implemented new ways of working and driven record breaking revenue performance in our hotels. Anaël created the Kew Green Revenue Academy to ensure new talent is identified and has a pathway to develop. Four new Revenue Executives are in role, who will become Revenue Managers of the future. He has created our 'Commercial Hub' structure, bringing all our commercial disciplines together - improving efficiencies and significantly increasing revenue for the business. He has created an analytics team which provides the business with the best trend data to make meaningful decisions."

For 2017 HOSPA IT winner Barry Thomas: "Barry regularly volunteers to assist with many hotel technology communities of interest. He has proved to be objective and open-minded in his

approach to reviewing technology. He is well regarded and deserves to be recognized for his efforts."

Apart from the winners, the 2017 HOSPA finalists in each of the three categories were as follows:

- Finalists for the 2017 HOSPA Inspirational Leader Professional of the Year for Hospitality Finance: Mahindra Powar, Financial Controller, Mandarin Oriental Hyde Park London.
- Finalists for the 2017 HOSPA Inspirational Leader Professional of the Year for Hospitality Revenue Management: Jesper Johansen, Area Director of Revenue Management (DORM), Middle Scale Market, InterContinental Hotels Group; Natalie Grose, Director of Revenue, Jumeirah London Cluster, Jumeirah Hotels and Resorts; and Neetu Ganesh, Director of Revenue, Redefine|BDL Hotels.
- Finalists for the 2017 HOSPA Inspirational Leader Professional of the Year for Hospitality IT: Ian Cowieson, IT Director, Malmaison & Hotel du Vin; Rob Paterson, Commercial Director, Village Hotels; and Shane Doyle, Group IT Manager, Jurys Inn Group.

## → ASSET MANAGEMENT

# Technology and Security

In this third article on asset management, David Bridge looks first at the use of technology within the hospitality sector, then secondly at security and then thirdly at GDPR, the new data privacy law, which seems to overshadow both technology and security.

## Technology Investment and Innovation

HOSPA has recently run some interesting events on technological changes and challenges and HOSPACE was on 2nd November. The ATOS meeting was quite intriguing. One of the most striking moments was when participants were asked to name significant technological advances in the past decades that had benefited guests. The room was surprisingly silent. Apart from the use of mobile phones to book and gain access to bedrooms, there were few other items.

One of the barriers to the introduction of new technology is the fragmentation of the decision-making process within the industry. I am often asked who should be approached - is it the hotel, the brand, and, if so, at what level, or the owner. The question is further complicated by the move to franchise and the introduction of third-party managers. The third-party managers are interesting in that they appear to be nimbler and less conservative when looking at new technology, but it will be only as they expand that they will have the same level of funding available to them. It is daunting for a small tech company with a great product to approach a major brand with their vendor assessment processes and high insurance requirements.

Questions as to who funds and how or whether to buy as a service all complicate the decision-making process and slow implementation. And I will save the cultural challenges of implementing new technology to another day.

Looking at technological innovation, it is helpful to classify this as follows:

- Front of house - guest facing.
- Back of house - admin and property.
- Data Utilisation.
- Innovative Applications.

## Front of House

A lot of the guest-facing elements relate to business acquisition. Most of the brands have focused on this area, due to the benefits to both brand and owner. However, it is very difficult to calculate a return on investment for ownership or determine whether it would be better to pay for services rather than making large investments. For example, would it be better to accept that the OTAs are more effective as a first point of contact for new guests. The only true way to measure this is perhaps not to implement the technological changes but I am not sure an asset manager really wants to propose such an action.

New technology has been used in the areas of reservations, CRM, yield management and social media, and creating seamless interfaces to an ever-increasing number of devices. However, there are still some obvious gaps - limited consolidation of the collected data and yield management principally focused on retail rooms revenue. The data is not always effectively analysed to give actionable insights. From an owner's perspective, should they accept to fund the operators'

investment in new business-generation systems or should they encourage the operator to work more closely with other service providers. It seems difficult for the major operators to match the monies invested by the OTAs and to reach the same level of creativity in data analysis - tracking trends, habits, and optimising conversion. It would be interesting to compare the data compiled by the brands and insights gained with that compiled by the OTAs.

Rather than invest in competition with the OTAs, would it perhaps be better to divert funds to systems and initiatives whose aim is to secure customer loyalty once the guest arrives on property? The asset manager needs to start a debate between owner and operator and perhaps question the level of marketing fees or its usage.

As an asset manager, I think it is important to understand the drivers of a business. Yield management has been described as selling the right room at the right price at the right time. I suppose the introduction of technology allows us to monitor this more effectively and to alert us to any slippages or changes in trends. If only the hotels had the ability to know what tools and channels can win long-term, medium-term, and short-term business for all outlets from new and old customers in all applicable regions of the world. This is perhaps an area where only AI will be able to cope with the volume of data.

A further component in the guest-facing area is communication and in-room technology. WIFI is now a necessity. For guests, it ranks higher than utilities and just below oxygen. However, in most instances WIFI is now free but the quality demanded is very high to accommodate an array of mobile devices capable of communicating with home and office and downloading all kinds of entertainment. As the free services increase, so the revenue-generating services decrease - Pay-Tv, mini bars, and in-room chargeable phone calls.

Again, many of these advances are driven by competition both with other hotel and accommodation suppliers and with what is available at the guest's home. Also, there is reluctance to be a pioneer when there is the possibility that the new technology is not widely accepted.

Technology has been used to remove friction points from the hotel experience. Why queue to check in and out, why wait for keys to be cut. And why struggle to understand a room service menu in another language. And why not increase the use of iPads with intuitive (?) apps to control heating, cooling, lighting, and curtains. However, certain of the luxury chains do not see the "friction points" as a problem but more as a touch point with the guest.

I am just hoping that a driverless laundry cart will be soon be developed that steers housekeeping staff away from occupied guest rooms first thing in the morning, especially mine!

## Back of House

I suppose one of the major benefits has been the introduction of building management systems, which control and measure energy consumption. With the wider knowledge gained, greater focus has been made on high energy areas, which has led to new developments. The automatic switching off of power to the rooms and lights in corridors via the sensing of guest presence has led to savings. At the risk of stating the obvious, what can be measured can be controlled. New technology just facilitates that measurement and the sharing of those measurements with others spurs innovation.

Security has also been improved by the introduction of

technology. From master cards to master keys to biometric devices, which not only allows personal property and business assets to be safeguarded, but also provides a means of effective time keeping and productivity.

Maintenance systems have also ensured that the hotels are maintained in accordance with supplier recommendations and provide the maintenance team with stored information, scheduling, control of third parties and of course moved from a reactive to a preventative approach.

## Data Utilisation

The drive towards collecting as much data as possible on guests may soon be slowed by the advent of GDPR, the new EU regulations that come into effect in May 2018. More of that later.

Being an accountant by training, I somewhat regret the imposition of the Uniform System of Accounting, which I feel has held back the industry by its prescriptive nature. The system has created a silo mentality and some of the silos are quite opaque. Food and Beverage, for example, can contain an extremely varied range of operations, which all need to be broken out to be useful. Now that so much of the information is available in computer format and with the technological advances that have been made, it is possible to validate, assemble and publish all kinds of data and trend information. And this data can be shared with the whole management team in the same visual way.

The production and consolidation of data and the determination of trends can help a hotel to forecast demand and thus to match staffing levels with business levels, not only by reducing staff when there is little business but also by ensuring that there is sufficient staff when business levels require it.

Another benefit of automation is that the time spent by staff is switched from production to review and action. This obviously reduces the workload of the asset manager and creates a self-policing environment. In addition, the greater automation of the reservation and check-in process may well mean more effective service, with staff spending meaningful time with the guest.

## Innovative Applications

Would the customer be happy to see robots in a hotel - Japanese receptionists, Aloft room service deliveries, housekeeping requests, concierge enquiries, robot drinks dispensers? The issue with hotels is that they provide very basic needs that probably can't be successfully automated. Despite many people's addiction to mobile phones, even when dining with friends and partners in a restaurant, there is still a need for some form of human contact and service. I am not sure that guests return to a hotel to see a computer although admittedly they make take a friend to show them something novel. Mind you, I sometimes wished there was a silence button when the third staff member asks me if I had a good journey.

There are now systems that can use facial recognition. This is quite intrusive, but I am not sure that millennials will feel quite so challenged by this with their sharing of pictures and comments over social media.

## So, what is the role of the asset manager?

A seasoned hotel investor will accept the need for such investment in technology, be it to comply with brand standards, keep up with competition, to automate processes or to win custom through innovation.

For a more traditional property investor, more guidance and advice may be required to support such an investment in technology.

As asset managers are independent, it allows them to determine the best way of implementing technology either as an operating expense or as capital expenditure and to calculate a full return on investment from the owner's standpoint.

And finally, an asset manager may often bring new ideas to the hotels. Recently, I saw a system which uses a live video feed to introduce prospective clients to the meeting facilities of a property, with obvious savings for client time and travelling expenses and hopefully higher conversion rates for the hotel. One of my hotels is now studying this.

## Security

This area again needs to be broken down into sections:

- Security of the property
- Data security
- Reputation management
- GDPR

Prior to discussing the above, it is important to make the point that most of the innovations discussed in the preceding sections require some form of power and increasingly some form of communication or communication protocol.

It is important to check that critical systems are secure with sufficient power to allow them to continue for a reasonable time following an incident or at least time to comfortably vacate the premises, should it be a major incident.

## Security of the property

One of the major differentiation points for a hotel is security, especially in comparison with Airbnb. Not only do hotels have security personnel on site, but also security cameras and of course full fire life safety systems. Many of the leading brands have far higher standards than the local statutory authorities.

In addition, there are often "networks" of security teams who advise neighbouring hotels of any outside dangers.

Hotel staff are trained to deal with emergencies and evacuations. One of the roles of the asset manager is to ensure that all relevant training is up to date and processes clearly recorded. This verification becomes slightly more complex if different operators are employed on site, as co-ordination between the parties is essential. As part of the review, the asset manager should also ensure that contingency plans are in place to deal with all potential hazards. The contingency plan should cover availability of data, as well as the actions to be taken with arriving and future guests should the hotel be temporarily closed or inaccessible.

Sprinkler systems are often mandatory for international operators, but regular checking of a smoke-free and fire-retardant egress is also important, especially in older properties. The asset manager should from time to time walk these routes to ensure no obstructions, even of a temporary nature. And if all else fails, there should be insurance. However, the asset manager needs to assess the insurance and check there are no gaps, especially in circumstances where there are tenants, sub-contractors or multiple operators with varying limits, conditions, and deductibles. The owner will normally be responsible for any shortfalls in cover, which might be extremely costly.

## Data Security

This has become a very important factor of late, with breaches affecting some very large companies. Hotels found the drive to PCI compliance quite challenging, especially the smaller properties. There are also issues with how hotels store data, be it on site or in the cloud. And even something as basic as the regular changing of passwords and the removal of leavers from the IT system needs to be reviewed. But given the specialist nature of the tasks, it is probably better to ensure that a specialist company is engaged, with a mandate to review on a regular basis and to provide reports to the asset manager, so that owners can be advised of any actions required.

## Reputation

Perhaps the most important asset of any business is its reputation. And with reputation, comes ranking. Fortunately, there are now tools that allow social media and review sites to be trawled and comments gathered. There is even a net promote score. All very well, but of course there will always be mistakes made and unhappy guests and it is important how quickly issues are resolved, so that a problem can be transformed into something positive. When checking review sites, I often get despondent when I see cut and paste replies. Another area for the asset manager to review.

## GDPR

The high level of penalties and the widening of responsibility between owner, operator, and contractor, means asset managers may need to carry out due diligence on behalf of their clients to ensure that the technology in place in the operations can deal with the new regulations. Firstly, there is a need to investigate and map the location of all personally identifiable data. Property Management Systems, Point of Sale, Customer Relationship Management, Human Resources, Accounting, loyalty programmes and guest preference systems all need to be reviewed to see what data is held, where and who holds it, what use is made of the data, what are the retention periods and how can an individual's personally identifiable data be removed. Does the hotel have proof that it has the necessary approval to use the data? I wonder if a tool has been developed yet to track this type of data, at least in its electronic form.

Will this draw a halt to the drive towards greater personalisation or just make operators much more vigilant about gaining the appropriate approval. I think before making further substantial investments in data projects, it is probably worthwhile hiring a specialist to assess whether the potential investment has been designed to be GDPR-compliant.

The other issue with GDPR is obviously one of responsibility. Given the size of the fines, an asset manager would be well advised to review the wording of any contract that deals with the collection and use of data and reread the articles on indemnification. If a company acts to try to ensure that there is appropriate protection in the system, then the level of the fines imposed for a breach might be reduced. Does the owner have sufficient powers to access the underlying systems to carry out this due diligence? The hotel industry seems to be coming late to the party and given the complexity of the technologies involved, the asset manager needs to drive the issue to ensure that safeguards are in place in time. Not easy, given all the parties involved.



# UK economic prospects, the productivity challenge and migration after Brexit



**PwC’s chief economist for the UK, John Hawksorth looks that the most pressing issue facing hospitality - its people.**

Global growth has picked up to over 3% this year, but UK economic growth has slowed to around 1.5% due in particular to the squeeze on consumer spending power from higher inflation. UK business investment growth has also been slower than might have been expected given the favourable global environment and continued historically low interest rates (despite the small rise in UK bank rate in November).

While we don’t see a recession ahead, our latest UK Economic Outlook report does project continued sluggish UK GDP growth of 1.4% over the next year as consumer spending growth decelerates further to only around 1%. All UK regions are projected to see relatively modest growth in 2018, with London no longer standing out from the pack.

Brexit-related uncertainty will continue to act as a drag on business investment in 2018, although there should be some offset from stronger UK export growth as the global and Eurozone recovery continues, and somewhat higher public investment (including in new affordable housing).

## The longer term productivity challenge

Longer term, productivity growth is critical to rising living standards but, since 2010, this has been weaker in the UK than any other G7 economy except Italy (see chart below). In part, this has been the flipside of relatively strong UK jobs growth in recent years, but in the long run the UK also needs to boost productivity levels if we want real wages to rise at anything close to the 2% average annual rate achieved in the pre-crisis years.

As argued by Andrew Sentance, our senior economic adviser, addressing the productivity challenge requires a modern industrial strategy that boosts skills and infrastructure investment and supports innovation, including in new digital technologies like AI and robotics. As discussed further in a

previous report, such a strategy could boost UK productivity materially in the long run.

## Implications for the Budget

Realistically, however, any such strategy will take many years to have its effect, so slower productivity growth is likely to continue to dampen growth in UK GDP and tax revenues over the next few years. This will restrict the scope that the Chancellor has to ease austerity in his Budget on 22 November while still hitting his fiscal targets. So any fiscal giveaways in the Budget on priorities like health and housing may be largely offset by clawbacks elsewhere.

## Migration after Brexit

Migration is also a key longer term issue for the UK economy looking beyond Brexit. Our analysis shows that some regions, particularly London, have become critically dependent on EU workers over the past decade. This also applies to industry sectors such as food manufacturing, hotels and restaurants, warehousing, healthcare and construction where workers from other EU countries have become essential to the operations of many UK businesses and indeed the NHS and local social care services.

Future migration policy needs to reflect these facts both in terms of allowing existing EU workers to stay in the UK without undue red tape, and in terms of setting criteria for work visas after Brexit that recognise the great contribution that migrants from the EU and beyond can make to filling skills gaps in the UK. This is particularly important given that the native UK population is ageing, so we need injections of fresh blood to keep our economy growing at a reasonable pace.

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# October sales figures flat for pub, bar and restaurant chains



**Like-for-likes sales up just 0.3% nationally, against last October  
London restaurants endured another poor sales month**

Trading across Britain’s managed pub, bar and restaurant groups was essentially flat in October with like-for-like sales up just 0.3% on the same month last year, latest figures from the Coffe Peach Business Tracker show.

Businesses outside the M25 generally did better, with collective like-for-likes up 0.4% against only a 0.1% increase for operations inside London. Pubs and bars fared better than restaurants, with like-for-like sales up 1.4% against October last year, while restaurant groups saw a collective 1.5% sales decline nationally.

Restaurants in London were worst hit, suffering a 2.1% fall in same store sales during the month, coming on the back of a 3.2% decline in September.

“October’s flat trading was at least better than the 0.9% decline the market experienced in September, and is more in line with the trend we have seen across the summer. The truth is that we are seeing little or no growth in the eating and drinking out market,” said Peter Martin, vice president of CGA, the business insight consultancy that produces the Tracker, in partnership with Coffe Group and RSM.

“This is not to say people have stopped going out - they haven’t. Eating and drinking out is still what the British public like to do, but they are not spending any more or going out any more often. But with more choice of where to go than ever before they are becoming more choosy and trying new places,” added Martin.

“This won’t help business confidence in the sector, however. With inflation running at 3%, sales are effectively going backwards, and with cost pressures in the industry, around

food inflation and people in particular, still rising, times are tough for operators,” he added.

Total sales growth in October among the 38 companies in the Tracker cohort was 4.0%, compared to the same month last year, reflecting the continuing if much more subdued effect of new openings, which have slowed significantly over the past year.

Underlying like-for-like growth for the sector, for the 12 months to the end of October, was running at 1.3%, with total sales growth over the 12 months steady at 4.1%.

Mark Sheehan, managing director of Coffe Corporate Leisure, said: “Sales in the drinking-out market showed signs of stability last month, while restaurant sales were under continued pressure. The restaurant market in particular is highly competitive and especially in London. Patterns of trade appear to be changing. The very best operators are trading very well and many outlets have queues, but the market is fickle and is a challenge as we approach the crucial trading period. With costs increasing for many it is a case of ‘battening down the hatches’.”

Paul Newman, head of leisure and hospitality at RSM, added: “It’s a second month of poor like-for-like sales for the sector, with casual dining groups being particularly hit. Consumers are continuing to choose to spend on ‘big ticket’ experiences such as holidays and sporting/entertainment events as their budgets get squeezed further. Operators will be desperate to see a reversal of this trend throughout the all-important festive trading season. For some, it could be the difference between survival or failure as we move into the New Year.”

## Pub and restaurant group sales performance for last 12 months

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
<b>LFLs</b>	1.1%	1.1%	1.9%	1.7%	-0.5%	4.4%	-0.4%	0.6%	0.6%	0.2%	-0.9%	0.3%
<b>Total</b>	4.1%	4.4%	4.4%	4.7%	2.1%	7.4%	2.4%	3.7%	3.7%	3.5%	2.6%	4.0%

Source: Coffe Peach Business Tracker



Hotels in Scotland recorded a 15.8% year-on-year increase in GOPPAR this month, which helped the UK hotel market to maintain its upward trajectory in profit per room, according to the latest worldwide poll of full-service hotels from HotStats. For hotels in the UK, profit per room in September increased by 2.7% year-on-year, which contributed to the 7.3% year-to-date GOPPAR increase and meant UK hoteliers remained on course for a fifth consecutive year of profit growth.

The growth in the bottom line has been successfully fuelled by consistent increases in top line performance, which included a 2.7% increase in RevPAR to £106.61 this month, as a 2.8% uplift in achieved average room rate, to £125.10, offset a 0.1 percentage point decline in room occupancy, to 85.2%.

Year-on-year growth in Rooms Revenue this month was supported by increases in Non-Rooms Departments, including Food and Beverage (+1.9%), Conference and Banqueting (+3.8%) and Leisure (+5.3%), on a per available room basis.

The growth in Other Revenue contributed to the 2.6% year-on-year increase in TrevPAR at UK hotels this month, to £160.09. And in spite of a 0.1 percentage point increase in payroll, to 24.6% of total revenue, hotels in the UK recorded a 2.7% increase in GOPPAR to £70.75 in September.

### Profit & Loss Key Performance Indicators - Total UK (in GBP)

#### September 2017 v September 2016

RevPAR: +2.7% to £106.61  
TrevPAR: +2.6% to £160.09  
Payroll: + 0.1 pts to 24.6%  
GOPPAR: +2.7% to £70.75

Hotels in Scotland made a significant contribution to the year-on-year growth in key performance indicators across the UK, which was led by a 12.6% increase in RevPAR to £100.03, thanks to a 2.0 percentage point increase in room occupancy, as well as a 10.1% increase in achieved average room rate, to £113.73.

The 15.8% increase in profit per room for hotels north of the border, to £63.96, was as a result of an 8.3% increase in TrevPAR to £155.11 and a 1.3 percentage point saving in payroll, to 26.0% of total revenue.

For hotels in Glasgow, top line performance was driven by a 2.8-percentage point increase in room occupancy, to a punchy 91.1%, as well as an 8.1% increase in achieved average room rate to £89.96.

### Profit & Loss Key Performance Indicators - Glasgow (in GBP)

#### September 2017 v September 2016

RevPAR: +11.6% to £81.94  
TrevPAR: +6.4% to £125.62  
Payroll: - 0.1 pts to 26.7%  
GOPPAR: +11.3% to £48.92

The 6.4% increase in TrevPAR, in addition to a 0.1 percentage point saving in payroll, to 26.7% of total revenue, helped Glasgow

hotels record an 11.3% year-on-year increase in GOPPAR in September, to £48.92. This is equivalent to a profit conversion of 38.9% of total revenue.

“Edinburgh has undoubtedly been the star of the show in the Scottish hotel market in 2017. However, this month it was the turn of other cities to shine. In Glasgow, hotels have finally shaken off their post-Commonwealth Games hangover and are on course for a strong year of profit growth.

With the Hydro now in full swing, attracting major music artists, and the SECC continuing to compete effectively for major conferences, as well as Glasgow’s strong profile as a destination for business and leisure visitors, the fundamentals of the hotel market suggests that the ground lost in 2015 and 2016 should be recovered,” said Pablo Alonso, CEO of HotStats.

For hotels in Aberdeen, this month provided respite from the challenges the market has faced since the beginning of the oil crisis, as hotels in the UK’s energy hub recorded a 79.1% year-on-year increase in profit per room to £31.23.

Somewhat ironically, the boost in performance this month was as a result of the oil and gas industry, as the Aberdeen Exhibition and Conference Centre welcomed 35,000 delegates to the SPE Offshore Conference, which fuelled a 23.8% increase in RevPAR, to £59.50, which was primarily due to an 18.5% increase in achieved average room rate to £80.12.

### Profit & Loss Key Performance Indicators - Aberdeen (in GBP)

#### September 2017 v September 2016

RevPAR: +23.8% to £59.50  
TrevPAR: +21.2% to £81.85  
Payroll: +4.5 pts to 27.2%  
GOPPAR: +79.1% to £31.23

Growth in Non-Rooms Revenues contributed to the 21.2% increase in TrevPAR, to £81.85, and with hotels in Aberdeen operating at a low cost base as a necessary response to the top line decline in the market in recent years, GOPPAR levels for September soared.

The addition of 328 bedrooms into the Aberdeen market so far in 2017, all of which are operating under the Hampton by Hilton brand, means the market remains challenged and the growth in September will not outweigh the -17.7% drop in profit already suffered in the eight months to August 2017. However, it is a marked improvement on the consecutive years of decline in profit per room in 2015 (-36.2%) and 2016 (-54.8%),

“Whilst the pace of profit decline has slowed in 2017, the reprieve for Aberdeen hotels this month is likely to be short lived. And with no obvious signs of a recovery in oil prices and a further 344 bedrooms due to enter the market in the next 12 months, including the 126-bedroom Marriott Residence Inn and the 218-bedroom Sandman Signature, the situation could remain difficult.

For owners and operators of hotels in Aberdeen, up until now cost cutting measures to minimise losses have been vital to maintain profit levels. But unless the situation improves, further cuts will be untenable and astute hotel management will be essential for survival,” added Pablo.

# Members' Events

**25th January**

**HOSPA Student Awards Ceremony**

**Location**

London Hilton on Park Lane

**Events Details**

At the Annual HOSPA Student Awards Ceremony we celebrate the achievements of all our highest achieving learners on the Revenue Management and Financial Management programmes in 2017. The event includes the presentation of certificates and the announcement of the 'Learner of the Year' in Revenue Management and Financial Management as well as discussion and networking plus a delicious Afternoon Tea and Champagne.

For more details contact [education@hospa.org](mailto:education@hospa.org)

**13th February**

**Opportunity 2018**

**Location**

Radisson Blu Portman, 22 Portman Square, Marylebone, London W1H 7BG

**Event Details**

Following on from the success of last year's event, 'Seize Opportunity in Disruption', we are delighted to announce Revenue by Design's Opportunity 2018 Conference 'Revenue Management 3.0- Where Next?' - a one day forum examining the revenue management role today. In this period of immense change, where does the future of the role lie? Profit Engineer, Data Scientist or Inventory Manager?

Hear first hand from the individuals defining, changing and spearheading the future trends of this rapidly evolving function. With a highly engaged audience, consisting of key hoteliers all with an interest in the future of the function and how this will evolve and impact their business, the day will provide invaluable insights from thought leaders on where to focus in 2018.

<https://www.opportunity2018.co.uk/book-now/>

**21st February**

**The Hotel Alternatives (HAE) 2018**

**Location**

Montcalm, London Marble Arch

**Events Details**

HAE is for...

Investors, operators and advisers with an interest in the new accommodation types that rival hotels.

It is a senior level conference that compares and contrasts the investment returns on hotels against other accommodation classes such as serviced apartments, caravan parks, student accommodation, hostels and similar.

HAE18 sessions will cover:

- How the investment landscape has shifted
- A market roundup
- CEO session
- Market update
- The investor landscape
- Alternative funding
- Getting to the customer
- A review of the key deals
- Stretching the brand - a look at hotel brands broadening into other areas

HAE will feature:

- Equity financiers
- Debt financiers
- Presentations on returns
- Panels of industry leaders

Visit <http://hotelalternatives.net> for more details

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# Application For Membership



Hospitality Finance, Revenue and IT Professionals

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Title (Please tick)	Mr <input type="radio"/>	Ms <input type="radio"/>	Mrs <input type="radio"/>	Miss <input type="radio"/>	Other (Please specify)
Forenames					
Surname					
Date of Birth				Nationality	

Job Title	
Company Name	
Parent Company	
Work Address	
Postcode	
Work Email	
Work Telephone	
Work Mobile	

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Correspondence Address (Please tick)	Home <input type="radio"/> Work <input type="radio"/>

## Which grade of membership are you applying for?

You would normally be granted Ordinary status, but if you wish to be considered for a higher grade then please indicate which and ensure you submit a CV to support your application. Corporate membership is available for 5 or more colleagues. Please call +44 (0)203 4188196 to discuss or email [hospa@hospa.org](mailto:hospa@hospa.org).

Status (Please tick)	Ordinary <input type="radio"/>	Ordinary Student <input type="radio"/>	Associate <input type="radio"/>	Fellow <input type="radio"/>
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Your Signature		Date	
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# Annual HOSPA Student Awards Ceremony

The London Hilton on Park Lane - Thursday 25th January 2018



## Join us for the Annual HOSPA Student Awards Ceremony to celebrate the achievements of all our highest achieving learners on the Revenue Management and Financial Management programmes completed in 2017

The event commences at 2.00 pm with a panel debate with distinguished speakers and will be Chaired by Professor Peter Jones MBE, Chairman of the HOSPA Professional Development Committee

Followed by the certificate presentation and a celebratory Afternoon Tea with networking

Tickets are available at £50 + VAT per person.

Please reserve the following places at the HOSPA Annual Awards ceremony on the Thursday 25<sup>th</sup> January 2018

<b>Number of attendees:</b>	<b>@ £50.00 (£60.00 Inc. VAT)</b>			<b>£</b>
<b>Names of attendees:</b>		<b>Name:</b>	<b>Job Title:</b>	
<i>To book more than four places, please contact HOSPA on <a href="mailto:education@hospa.org">education@hospa.org</a> or call 01202 889 430</i>	1.			
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Please send the completed form to [jane.scott@hospa.org](mailto:jane.scott@hospa.org) to reserve your place(s).

Payments should be made by BACS (bank details on invoice) or by credit card by calling 0203 418 8196.

HOSPA Professional Development, Suite 6 Merley House Business Centre, Wimborne, BH21 3AA