

THE OVERVIEW

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AWARD WINNERS ANNOUNCED

RUSSELL KETT RECEIVES LIFETIME ACHIEVEMENT AWARD

Welcome to THE OVERVIEW

A very warm welcome to the first edition of The Overview for 2012!

Look inside to find details of our recent HOSPA events including a review of the highly acclaimed HOSPACE 2011. We also feature the successes of our award winners who were recognised at the Annual Awards Ceremony and Christmas Luncheon held in the Grand Ballroom at the prestigious Grosvenor House in London in December.

For those who were unable to attend, the presentations and papers from HOSPACE 2011 can be downloaded from the members' area on the HOSPA website and a pictorial summary can be viewed on HOSPA TV on YouTube.

Each month, we feature news from the hospitality industry and this edition is no exception with updates on late night taxi exemptions, uniform business rates as well as practical articles on revenue management, the continuing risk from fraud and the future for VAT rates. Looking ahead, the HOSPA diary commences with a range of events for members with a summary of the dates on page 26. Full details including location and speakers can be found on the events page of the HOSPA website.

We are currently taking enrolments for the February 2012 intakes to both the Financial Management Programme and the Revenue Management Programme. These courses enable learners to earn while they learn leading to accredited awards to prepare the talent of tomorrow for working in Finance and Revenue Management roles in the hospitality industry. For more details about the courses, entry requirements and fees visit www.hospa.org/en/education/.

2012 promises to be an exciting year for the UK hospitality industry with much to look forward to including the Olympics, Paralympics, Diamond Jubilee and Farnborough International Airshow. Let's hope that this year we really do start to see the green shoots of growth across the sector.

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HOSPA

Hospitality Finance, Revenue and IT Professionals

BAHA Moving Forward

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The Overview online

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www.hospa.org

Russell Kett

Receives Special 'Lifetime Achievement Award'

at the 'Annual HOSPA Hospitality Finance, Revenue Management and IT Awards 2011'



In the presence of over 220 guests at the 2011 HOSPA Annual Christmas Awards Luncheon, held at the Grosvenor House, a special 'Lifetime Achievement Award' – an engraved crystal trophy – was presented to one of the world's most distinguished and respected hotel advisors, Russell Kett, Managing Director of leading hotel advisory firm, HVS, and a former Chairman of BAHA (1988-1994). He received the award – only the fourth ever given – in recognition of his 'Outstanding commitment to improving Best Practice in Hospitality Financial Management'.

Russell Kett started his career as an Internal Auditor in 1974 after an HND in Hotel and Catering Administration. He then moved on to become a Consultant and Managing Consultant at Howarth, Touche Ross and Green Belfield-Smith. He followed the path he once described as "you have to develop as a Consultant through being a grinder, then a finder and onto a Minder." In this time, he has written over 20 articles, given over 100 speeches and been part of 400 Feasibility Studies and Valuations. He is now, and has been for 17 years, Managing Director at HVS.

Commenting on Russell Kett's award, **HOSPA Chief Executive Carl Weldon** said:

"It was a great honour and privilege for me and HOSPA Chairman Paul Dukes to present Russell – a Fellow of HOSPA – with this well deserved award. He is one of the world's great hotel professionals to whom BAHA owes an enormous debt of gratitude. His tremendous belief in the Association and his commitment to its development and success in promoting financial 'best practice' – right from its inception in 1969 and subsequently as BAHA Secretary, Chairman and Councillor – has been a major contributory factor over the past 40 years to our current success, and our re-branding as HOSPA."

"Russell's time as BAHA Chairman from 1988 to 1994 was one of the most productive in the Association's history. For example, BAHA membership increased by 50%; the Association became truly educational with the introduction of our highly successful Education and Training Programme (ETP) for Finance, and the Continuing Professional Development (CPD) programme with Oxford Brookes University; the Association's 25th Anniversary Dinner in 1994 attracted a then record 300 attendees; and BAHA launched its groundbreaking 'Recommended Practice on Valuation of Hotels' publication."

Russell Kett (centre) with CEO Carl Weldon (left) and Chairman Paul Dukes (right)

HOSPA Awards for Outstanding Hospitality Professionals

The winners of the prestigious Annual 'Hospitality Finance, Revenue Management and IT Professional Awards of the Year 2011' were announced on 15th December 2011 in London.

Nominees for these HOSPA Award Categories 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.

Hospitality Finance Professional 2011, sponsored by PKF, was awarded to Richard Harrington, Regional Director of Finance, The Langham, London

"Richard's 30 year career has spanned several continents and all the relevant roles in hotel finance including the dreaded internal audit! He has a full focus on the business and has guided the Langham London through a GBP 80 million renovation keeping the budget on track and understanding the needs of our overseas (Hong Kong) owners. He is a trusted employee and is well respected and recognised as a valuable asset in the Langham Hotel Group." **Katie Benson, Regional VP – Europe & North America Managing Director, The Langham, London.**

"Richard had been fundamental in my understanding of this fast growing company, our position in the market and ambition to operate as one of the preferred addresses in London. He is a guide, mentor and leader who achieves his goals by encouraging and actively

participating in team effort, motivation, praise and precision." **Michael Friedrich, Hotel Controller, The Langham, London.**

"I've been working with Mr Richard Harrington for the past two years. During this time I've come to appreciate Mr Harrington as a great role model of someone who is dedicated to the Hospitality Industry. He is a fountain of knowledge of current trends & developments in the industry which he is eager to share & pass one in order to further develop his team in whom he takes a personal interest." **Charl Leicester, Procurement Manager, The Langham, London.**



Richard Harrington (middle) with Sponsors Stuart Collins (left) and Robert Barnard (right) from PKF

Robert Barnard, partner for Hotel Consultancy Services at PKF, commented: "My colleague Stuart Collins and I were delighted to present the 'Hospitality Accountant of the Year' award for 2011 to Richard Harrington, Regional Director of Finance – Europe and North America at the Langham Hotel. Richard deserves particular credit for guiding the Langham through not just a deteriorating economic environment but also a major renovation programme - a challenge that he so clearly relished."

“PKF is a long standing patron of HOSPA and a leading provider of advisory services to the hospitality sector, so we recognise that timely and trustworthy financial advice is more important than ever. With growing concerns about the health of the economy, the lack of a definitive solution to the issues affecting the Eurozone, and declining consumer and business confidence both at home and abroad, skilful financial management will be essential if hotels are to maintain the same high level of performance that we’ve seen for much of the past 12 months. It is therefore reassuring to see so much talent and professionalism on display throughout the industry, as embodied by the calibre of the entries that we’ve seen for these awards.”

“This is not the first time that the sector has faced unfavourable economic headwinds. Hoteliers know that they have a fight on their hands but it is also clear that they also have the skills, experience and strength of character within their finance team to make the most from the opportunities and challenges that will undoubtedly emerge during 2012.”

Hospitality Revenue Management Professional 2011, was presented to Gary Mills, Revenue Manager, Mint Hotel Manchester and Mint Hotel Leeds

“Gary is an outstanding young revenue manager, who has established an industry leading RM operation (from Telephony, Document Management, Multi-Property PMS, RMS Integration, and Automated Reporting) at Mint Hotel Leeds. Gary has consecutively opened three major city centre hotels within Manchester and Leeds with great success.

Gary has also developed and built an extremely strong team focusing on multi-tasking and succession planning whilst also delivering training to revenue and non revenue departments throughout the group. Gary has nurtured strong relationships with key third party account managers, implementing a number of very successful strategies during low demand periods that have been used across the group.

I’m delighted to have Gary as part of my senior revenue management team and I look forward to watching his status and reputation grow within the industry.” **Christopher Cooper, Head of Commercial, Mint Hotel.**



Garry Mills with Alyson Dombey (left) and Jenn Keen (right) both members of the HRMC

Hospitality IT Professional 2011, sponsored by Fourteen IP, was won by John Reid, IT Department Manager UK, QMH UK

“He is a true hospitality professional that understands hotel operations and has an excellent strategic mind, making him perfect in his current role as Head of IT in the UK.

He has been with QMH UK Ltd. for the last 15 years and has led numerous disposal projects, always delivering to both new and exciting ownership.

Currently, he is leading a project to change PMS in Germany, Holland and the UK in approximately 70 properties.” **Robert Crosby, Regional Operations Director, QMH UK Ltd.**

Neil Tolley, Business Development Director for Fourteen IP Communications and veteran of the hospitality communications industry commented: “It was my pleasure to present the IT Professional of Year award for 2011 to John Reid, Head of IT in the UK for QMH. John deserves recognition for the 15 years outstanding service he has given the hospitality industry at QMH.”

John has successfully delivered numerous projects over his career both in Finance and Front office systems. Graduate of the highly acclaimed Strathclyde University, John is a true hospitality professional that understands hotel operations and has an excellent strategic mind. This makes him not only an asset to QMH but to the wider hospitality industry.”

“As a long-standing supporter of BAHA and now HOSPA, it was great to see that the standard of entries this year continued to demonstrate the wealth of knowledge and expertise in our industry. Fourteen IP will continue to support HOSPA and the hospitality sector and we look forward to working with professionals such as John.”



Stewart Fidom (left) collecting the award on behalf of John Reid from Neil Tolley from Fourteen IP

→ HOSPA EDUCATION AWARDS

HOSPA RECOGNISES ACADEMIC EXCELLENCE



The Education Committee were delighted to recognise the successes of the HOSPA Student Award Winners 2011 studying during the year on the HOSPA Education and Training Programme in Financial Management (ETPFM)

The 'HOSPA Outstanding Student of the Year' 2011, was won by Ricarda Neims, Reservations and Revenue Manager, St James's Hotel & Club, London.

She received a crystal trophy, certificate, a Samsung Netbook, and a free pass to the Annual HOSPACE 2012 Conference and Exhibition. Ricarda – who also won a cash prize and certificate for best performance in the September 2010 HOSPA ETP examinations for Stage 1: Introduction to Financial Accounting – took the best overall student accolade by achieving the highest overall HOSPA examination score in 2010/11.

Ricarda told us about her career so far:

“After studying a diploma in Tourism at Varsity College in Pretoria, South Africa I chose to follow a career in the hospitality industry. My first job was at a 4-star, 460-bedroom conference hotel in Johannesburg where I worked my way from Reception to Reservations and progressed to the Events Department. This is where my keen interest in the financial side of the business developed as I dealt with the daily revenue generated by the department, ensured accounts were settled and billed as required and worked closely with the Accounts department.

I then joined The Michelangelo Hotel, which is part of Leading Hotels of the World, as Senior Events Co-ordinator and at the end of 2007 decided to venture overseas and gain some international experience.

In 2008, I moved to the UK and joined the pre-opening team of the newly renovated St James's Hotel and Club. Throughout the past three years I have had various roles, but it is my current position as Reservations & Revenue Manager which has been my greatest challenge to date. I enjoy it immensely and would like to focus my future development on the revenue aspect of the business. It is also here that the opportunity arose for me to study Financial Management through HOSPA, which I grabbed with both hands. I have gained priceless experience working with colleagues and a Management team who are open and share their knowledge and offer advice freely.”

Further awards were then dispatched to the September 2010 group prize winners, who received cash prizes and certificates as follows:

The winner of the Stage 2 – Operational Management Accounting 2010 award and the Stage 3 – Strategic Management Accounting 2011 award was Louise Coleman, Assistant Management Accountant, Firoka (Heythrop Park) Ltd., Chipping Norton, Oxfordshire.

“I started my career as a hotel receptionist whilst studying for a degree in Hospitality Management. I progressed to Reception Manager where I realised my passion for finance.

I decided to leave the hospitality industry and started working for a charity in their finance department. During this time, I studied AAT, which the company encouraged. In the final year of AAT, I joined the Firoka Group as a credit controller at Heythrop Park Hotel.

Soon after, I was promoted to Assistant Management Accountant where I was able to use the knowledge gained from AAT. My financial controller then suggested the HOSPA programme, to widen my knowledge of finance within the hospitality industry. The course has not only enabled me to gain valuable skills but has given me confidence that this is the career path for me!

I have been in this role for the past 3 years now and hope that in the future I can progress to a Financial Controller position.”



Anjana Pandya from St. James's Hotel & Club (right) collecting the awards on behalf of Ricarda Neims from Cathy Burgess (middle) and Debra Adams (left)



Louise Coleman (2nd from left) with her employees and colleagues from Firoka (Heythrop Park)

Stage 3 – Strategic Management Accounting 2010, was won by Fiona Wilson, Assistant Hotel Controller, Mandarin Oriental Hyde Park, London.

"I have been with Mandarin Oriental for four years now, firstly as Accounts Supervisor working with our Regional Director of Finance and being responsible for the accounts and financial reporting of the London office and now more recently I've been promoted to Assistant Hotel Controller at the Mandarin Oriental Hyde Park and am relishing the new challenge.

After completing the BAHA training programme I undertook CIMA and I'm due to complete the Management Level of CIMA this December and to complete the full award by September 2012."

The February 2011 HOSPA examination prize winners were as follows:

Stage 1 – Introduction to Financial Accounting 2011, was won by Patrick Smekens, Hotel Manager, Hotel San Roman de Escalante (between Santander and Bilbao) in Cantabria, Spain.

Patrick started his career in operation but as he explains a career in finance beckoned: "I decided to study with HOSPA, which was recommended to me by a former student and friend of mine, in order to redirect my career path.

I'm really enjoying my studies so far and feel I made the right decision. My past experience in operations also really helps me understand better many aspects of accounting and vice versa. I hope to gain a lot of valuable experience in the future in order to one day reach the position of Director of Finance of a big international luxury hotel, and afterwards maybe beyond this.

Early in 2012 we are moving to India where I take up a new position in a luxury hotel."

Stage 2 – Operational Management Accounting 2011, was won by Facundo Doce, Assistant Financial Controller, Hotel Missoni Edinburgh, Scotland.

"I decided to go for hospitality when I was fourteen years old, back in Uruguay, with the aim of having some sort of qualifications by the time I was eighteen so I could travel abroad and find a job with relative ease.

Over the following 8 years, I found myself working as kitchen porter, waiter, chef, doorman, receptionist and night auditor. The move into finance came some 2 years ago, while I was working as Night Manager at Hotel Missoni Edinburgh and a position became available in the accounts department; since that moment I have asked myself a few times how come I never thought of a career in finance before.

In August 2010, I joined the BAHA training programme (through my current manager Gillian Arbuckle, who did the course a few years ago and whose support has been incredible) and things are now looking brighter than ever."

Well done to all our students!

The success of our students is dependent on lots of hard work and commitment to studying whilst working full time. Success is also due, in part, to the support offered by the companies sponsoring the students with their studies.

For this reason, HOSPA is delighted to award each year the Company Commitment to Professional Development Award. In order to be nominated and selected for this award a company must demonstrate commitment to professional development for their associates. This year the HOSPA winners for this award were:

Corporate Employer of the Year 2011 - awarded to Starwood Hotels & Resorts and was accepted by Patrick Divall, Area Director of Finance.

SME Employer of the Year 2011 - was presented to Red Carnation Hotels and was accepted by Sarah Dovey, Vice President of Finance and Administration.

Financial Management and Revenue Management Programmes 2012

We are currently taking enrolments for the February 2012 intakes to both the Financial Management Programme and the Revenue Management Programme. These courses enable you to earn while you learn leading to accredited awards to prepare you or your teams for working in Finance and Revenue Management roles in the hospitality industry.

For more details about the courses, entry requirements and fees visit <http://www.hospa.org/en/education/education-and-training-programmes/> or call the Courses Administrator, Jane Scott, on 01202 889430.



Marie Capitaine from Mandarin Oriental Hotel Group (left) collecting the award on behalf of Fiona Wilson from Cathy Burgess (middle) and Debra Adams (right)



Facundo Doce with colleague Gillian Arbuckle from Hotel Missoni



Patrick Divall (4th from left) celebrates with his team



Sarah Dovey (2nd from right) with her team



Fraud - The last great unreduced business cost

PKF (UK) LLP and Europe's premier research institute concerning fraud, the Centre for Counter Fraud Studies at University of Portsmouth (CCFS), have jointly published the first ever research concerning the extent to which the UK hotels sector protects itself effectively against fraud. The survey, covering 29 different aspects of fraud resilience and involving analyses using PKF and CCFS's extensive fraud resilience database, has resulted in publication of 'The Resilience to Fraud of the UK Hotels Sector' Report.



Fraud is a problem which undermines the stability and financial health of companies from across the economy. It is not a victimless crime, but one which reduces the value of companies for us as shareholders, undermines our job security as employees, and piles additional costs on us as consumers. More widely it denies us the quality of public services that we pay our taxes for and even denies the beneficiaries of charities the full benefit of the donations which we make. It is a serious issue for hotel companies and one that has far reaching consequences for the health and financial stability of the sector, as well as the quality and price of the service that consumers enjoy.

Across the UK economy as a whole, the Government's National Fraud Authority estimates that £38.4 billion is lost to fraud, with £1.9 billion of the losses relating to the leisure, travel and transportation sectors. This reflects a change over the last decade or so, where it has become possible to measure the financial cost of fraud in a statistically valid and highly accurate manner. As yet the NFA's annual estimates have not focussed precisely on the hotels sector, and actual losses may be higher. The latest global research (across a massive dataset) indicates that average losses to fraud (and error) currently run at 5.7%. If this figure is applied to the hotels sector in the UK, it equates to losses of over £2 billion.



The key issue to be addressed in minimising the cost of fraud in hotel companies is to improve their fraud resilience.

PKF and the Centre for Counter Fraud Studies at University of Portsmouth already have data concerning the fraud resilience of over 500 companies and other organisations from across the UK economy. This includes data derived from a specific survey of the hotels sector. By focussing in on the hotels sector, this Report provides an unprecedented insight into the strength of arrangements to protect them against fraud.

Overall, the hotels sector achieved an average score of 25.4 out of a possible score of 50 with 80% of the 26 hotel companies who responded scoring between 15 and 39. This average score compares with that for the private sector generally of 30.6. It is therefore disappointing and there is some work to be undertaken. With this lower than average level of fraud resilience it will mean that the corresponding level of losses to fraud will be higher than the average. There is thus an opportunity to strengthen levels of resilience and thereby reduce the cost of fraud, freeing up significant financial benefits.

Hotels sector companies performed best in the following areas:

- 88% of respondents indicated that they had adopted a 'zero tolerance' approach
- 85% indicated that they had arrangements in place to ensure that suspected frauds were promptly reported
- 85% also indicated that they considered applying all types of sanctions where fraud was found to be present
- Over 76% had a clear policy on the application of sanctions
- 69% had reports concerning fraud discussed at board level

Hotels sector companies performed worst in the following areas:

- Only 27% sought to estimate the cost of fraud or used losses estimates to make judgements about how much to invest in countering fraud
- Only 23% reviewed the effectiveness of counter fraud work
- 35% ensured that counter fraud staff regularly refreshed their skills
- 88% stated that they had a zero-tolerance approach but only 38% monitored the development of anti-fraud cultures (potentially a worrying contrast between rhetoric and reality)
- Less than 40% deployed analytical intelligence techniques to detect fraud

This 'helicopter view' of the sector is interesting and should alert forward looking companies to some of the risks and opportunities which relate to fraud. As well as the data concerning fraud resilience, PKF and CCFS also control the world's largest database concerning the accurate measurement of fraud losses. This database contains information concerning more than 200 accurate, statistically valid fraud loss measurement exercises, covering 32 types of expenditure from many countries with a total value of £5 trillion. The massive dataset has allowed derivation of a global average loss rate for fraud (and error) of 5.7% of expenditure - as indicated above.

Even more interesting is the relationship found between fraud resilience and fraud losses. While it is common sense that the better protected organisations are, the lower the cost of fraud will be, PKF and CCFS have gone further and been able to calibrate one against the other. We can now see how much losses are reduced by for a given increase in fraud resilience. At the ends of this spectrum, the worst protected organisations can be seen to lose 10% or more, while the best protected lose 1.5% or less. PKF provide a cost-effective Fraud Cost and Resilience Review service to help companies to find out where they lie.

This sort of information allows fraud to be treated as a business cost like any other. For many years other business costs have had ever smaller slivers shaved off them. However, fraud has traditionally been an issue which companies either deny exists at all or which they react to after losses have been incurred. Accurate assessment - both of fraud resilience and losses - now allows a proactive approach to be taken. Where this has happened, there are examples where the cost of fraud has been reduced by up to 40% within 12 months and with a 12 : 1 return on the costs of the work.

My view is that fraud is the last great unreduced business cost. There is no better time to set about reducing it than in the current difficult macro-economic climate, where the financial benefits can reinforce the health and financial stability of the hotels sector.



Jim Gee

**Director of Counter Fraud Services
PKF (UK) LLP
&
Chair of the Centre for Counter Fraud Studies,
University of Portsmouth**

'The Financial Cost of Fraud Report 2011' - Jim Gee, Dr Mark Button and Graham Brooks - published by PKF (UK) LLP and the Centre for Counter Fraud Studies at University of Portsmouth.

HOSPA Revenue Management Community Debate



In March 2011, our Revenue Management Community (HRMC) presented a debate on five key revenue management issues which was facilitated by Masters students studying for the MSc International Hotel and Tourism Management at Oxford Brookes University with guidance from lecturer Kate Varini. We are very pleased to present an excerpt from the fourth and final of the resulting papers written by the students following the event. The paper we feature this month has been written by student Shi Ling Kwok who has researched the topic:

Segmentation: How should it look in hotels now and in the future to be truly beneficial to a profit maximisation strategy?

The following is an excerpt from the paper with the full paper complete with references available to download from the HOSPA website.

A market is a group of actual and potential buyers of a product for which buyers share a particular need or want and which can be satisfied through exchange relationships (Kotler, et al, 2010). Market segmentation is therefore the process of grouping similar buyers within a market together into subgroups or segments, of which one or several can be targeted by a firm with specific products or marketing programmes (J.Croft, 1994). Instead of offering one product for all segments which results in some users' needs are not being wholly satisfied, the concept of dividing a market into homogeneous segments and targeting them with a distinct product should lead to greater profit gain and savings on resources. Market segmentation has been researched and studied extensively; over 50 years ago, Smith (1956) recognised the correlation between the strategies of product differentiation and market segmentation. Also, market segmentation was described as being essential to marketing by Sheth (1967) and as the fundamental concept of modern marketing by Wind (1978). Later, research within market segmentation focused on the analytical approaches for homogeneous clusters (Moriarty and Reibstein, 1986), the choice of variables and techniques available for analysis and validation of the output (Dibb, 1998; Dibb & Simkin, 2010). Much has been written

about segmentation strategy, however, little about its implementation, management and control (Shapiro and Bonoma, 1984; Hooley et al. 2008). A recent online survey has revealed that, for the last 30 years, little progress has been made in the research of market segmentation (Quinn and Dibb, 2010), considering the transformation of the social and economic landscapes. It is believed that the research and theory of market segmentation is much appreciated and understood by marketers, however, what remains is the difficulty of turning segmentation into a profit maximisation strategy (Dibb & Simkin, 2010; Morrison, 2010).

In the the hospitality industry, traditionally, segmentation is used to categorise customers based on their reason to travel (Bowie and Butle, 2004), and their demographic and hotel-use characteristics (Victorino et al., 2009) before designing target market strategies. However, with the evolvement of the internet (Cahill, 1997) and technology in the service sector (Victorino et al., 2009), it has become more difficult to determine a customer's identity. Morrison (2010) argues that the validity of market segmentation may be disputed as the reasons customers travel nowadays cannot be categorised into one segment, such as leisure, business, visiting friends and relatives (VFR) or another trip



purpose, because one trip might involve several purposes and multiple destinations. In addition, segmentation effectiveness in terms of its theory versus practice (Jenkins and McDonald, 1997) in the current hotel industry has been challenged. In fact, segmentation is not only applied as a marketing strategy planning tool (Quinn

Revenue Management works on the concept of market segmentation and price discrimination

and Dibb, 2010), but used in combination with revenue management tactics to help organisations maximise revenue and gain competitive advantage. In view of this situation, 'Segmentation: how should it look in hotels now and in the future to be truly beneficial to a profit maximisation strategy?' has been raised as one of the hot topics in a workshop held by the British Association of Hospitality Accountants (BAHA, 2010). Revenue management is an application of information systems and pricing strategies which allocates the right capacity to the right customer at the right place at the right time (Smith et al., 1992). In addition, Revenue Management works on the concept of market segmentation and price discrimination and is therefore able to respond to the realities of today's market segments quickly by adopting different price tactics.

This paper provides readers a practical insight into the application of segmentation as part of revenue management tactics and a useful reference for revenue and marketing managers in the hotel industry. The author will first study and analyse existing literature critically to gain understanding of how segmentation works. Then, the author looks at how segmentation can be applied in combination with revenue management tactics. Finally, a critical review of current segmentation techniques confirms that effective market segmentation can be truly beneficial to a profit maximisation strategy.

2.0 Market Segmentation and its benefits

The term and concept of market segmentation was introduced by Smith in his first paper published in 1956 (Wind, 1978; Tynan and Drayton, 1987) commenting that 'segmentation is based

upon developments on the demand side of the market and represents a rational and more precise adjustment of product and marketing effort to consumer or user requirements'. Since then, the concept of segmentation has been accepted by academics and practitioners such as Haley (1968) who considers "the idea that all markets can profitably be segmented has now received almost as widespread acceptance as the marketing concept itself" and that it is the responsibility of

management to devise marketing mixes to suit the market segments. Segmentation is also described as an analytical process driven by collecting and analysing data, and translating customer needs (Dibb and Simkin, 2008). Splitting customers who have similar characteristics and needs into different groups, or segments, is defined as market segmentation (McDonald and Dunbar, 1995). Morrison (2010) also agrees that the essence of good marketing is to pick the segments that are most interested in specific services and to aim a marketing programme at them. Over the past years, academics and practitioners have extended their discussion about the benefits that can be derived from segmenting a market (Beane and Ennis, 1987; Dibb and Simkin, 1996; Dibb and Simkin, 2008). Lunn (1978 cited in Tynan and Drayton 1987) points out that a market should be regarded from a consumer's point of view rather than from a manufacturer's perspective. To do this successfully, improving customer profiling to gain a better understanding of the needs and preferences of different segments is of utmost importance (Enz, 2001). Effective customer profiling and segmentation could then lead to the improvement of customer satisfaction and customer loyalty (Dibb and Simkin, 2008).

Strategically, in a competitive market, segmentation requires a firm to appraise customer profitability and make decisions about how and where to compete (Dibb and Simkin, 2008). Jackson (2007) comments that it is crucial for a company to determine their strategic market position, which includes the recognition of customers' differences, as this will lead to a better match between customers' needs and the company's products or services (McDonald and Dunbar, 1995). An effective positioning includes developing a service and marketing mix targeted to potential customers so that they remember the

brand/ product (Morrison, 2010). Hence, a firm is able to improve its market share and to protect its brand (Tynan and Drayton, 1987). Also, in a mature or declining market, segmentation allows firms to identify specific segments that are still in growth (Hooley et al, 2008) and then to diversify brands and products to appeal to segments that are still profitable (Tynan and Drayton, 1987). Segmentation is a useful approach to marketing that allows target markets to be matched to a company's competencies (Hooley et al, 2008) and therefore, it can enable a firm to meet most or all the needs of customers in a specific niche segment. This can result in segment dominance - something which is often not achievable with regard to the entire market (McDonald and Dunbar, 1995). Additionally, concentration of resources in a specific market provides a greater competitive advantage and returns are high (J.Croft, 1994; McDonald and Dunbar, 1995).

3.0 Revenue Management tactics

Revenue management is an application of information systems and pricing strategies which allocates the right capacity to the right customer at the right place at the right time (Smith et al., 1992). As revenue management incorporates market segmentation and price differentiation, it can quickly respond to the realities of today's market segments by adopting different tactics. The idea is based on effective customer segmentation in accordance to price sensitivity, which enables a firm to offer competitive rates while minimising cannibalisation of sales to less price-sensitive customers (Meissner and Strauss, 2010). In this section, we will look at how revenue management tactics are being used for segmented markets to maximise profit.

Market-based Pricing: Willingness to pay to determine pricing strategy

As discussed above, the concept of grouping actual and potential buyers that share a particular need or want based on demographics and psychographics has been a useful concept for the development of products and marketing mixes. From a revenue manager's perspective, to price a product, it is essential to look at different

HRMC DEBATE

segments and their willingness to pay, or in another word, revenue management has to apply market-based pricing. An individual's demographic or psychographics profile may reflect his or her willingness to pay for a product. However, the same person may exhibit multiple behaviours under different circumstances when buying the same commodity. Factors, such as time, place, level of desire and perception of the products value also need to be considered. Therefore, customers should be segmented based on willingness to pay, perceived value of the product and price elasticity and then be charged different prices rather than a standard rate. This could generate more revenue from the company's existing capacity without making any changes to its products (Cross, 1997).

Dynamic pricing Tactic for different market segments

Hotels offer the same room to different types of customers such as business, leisure or conference customers to a different price. Dynamic pricing is a pricing approach that changes the prices over time in response to variability in supply or demand (Biller et al., 2005). The dynamic pricing tactic can be adopted in many ways for different segments of the market. InterContinental Hotel Group (IHG) applies dynamic pricing models by segmenting its market based on geographical locations and number of room nights, whereby high-volume locations will have fixed rates while locations with low volume have dynamic pricing. IHG also uses dynamic pricing by segmenting firms based on volume of customers and giving out better valued rates for companies providing a high volume. Furthermore, by using dynamic pricing, IHG saves more time and resources by easily getting buyers to enter into multiyear contracts rather than having to negotiate fixed rates every year (Business Travel News, 2010). Cross (1997) also suggests that to strike a balance between bulk and individual purchasers, revenue managers can forecast the demand for the higher-value sales and discount only those the hotel needs in order to fill its capacity.

Flexible Pricing: Variable Cost vs Selling Price

In reality, hotels have a high level of fixed costs and a low level of variable costs, which means that revenue management

is especially important to hotels when they need to balance supply and demand for a short period of time (Harewood, 2010). According to Harewood (2010), when demand exceeds supply, hotels will have to determine which customers to sell the product to; and when supply exceeds demand, in order to cover the variable costs, hotels have to decide at what lower rate to sell their rooms for. For instance, a room-night, which has a rack rate of £200 and a variable cost of £50, therefore, any price above £50 for the room night will be a profit. During a period of low demand, this strategy is useful to attract specific segments (Harewood, 2008). Revenue managers can also set prices according to predicted demand levels so that price-sensitive customers who are willing to purchase at off-peak times can do so at favourable prices while price-insensitive customers who want to purchase at peak times will be able to do so as well (Kimes, 2004).

Bid Price Approach: Profit Maximisation

Bid pricing is a method for controlling the sale of inventory in revenue management application. It means that "bid prices" are set for a hotel room and that a room for a certain amount of time is only sold if the rate offered for the requested period exceeds the sum of the bid prices for each day that the room is occupied (Talluri and van Ryzin, 1998). According to Chen and Freimer (2004), each hotel has several rate classes or restrictions that make a particular rate available to one segment of customers but not to another based on forecasted demand. In order to maximise profit, the bid price approach is used to determine which rate class/ length of stay combinations are open each day. If a hotel is not forecasted to sell out, all rate classes are open to allow any room to be sold, the bid price is zero since increasing the capacity will not increase revenue. However, when the forecast of demand exceeds capacity, the bid price will be greater than zero and lower rate classes may be closed (Chen and Freimer, 2004).

Combination of Pricing and Inventory Control

Uncertainties caused by seasonal, on-purpose (business/leisure) or other travel demand complicate the ability for a hotel to maximise revenues and profits. To deal with

these situations, many hotels think of offering discounts to attract customers during the low peak period. For instance, the Marriott Corporation has adopted a combination of pricing and inventory control instead of using pricing alone to optimise scarce resources during a low peak period (Cross, 1997). According to the author, with the help of the Demand Forecasting System (DFS), the Marriott was able to forecast guest activity, departure and price patterns. Based on its analysis, the DFS recommended rates and length of stay restrictions. For instance, instead of accepting a guest who stays one peak night for a high rate and turning down guests who would stay longer for a lower rate, it may be more profitable to accept the guests who stay longer even though they pay a lower rate (Cross, 1997).

The effectiveness of market segmentation depends much on the selection of both segmentation bases and methods (Wedel and Kamakura, 2000). In other words, for segmentation to be beneficial, it must be recognised that people differ in their unique needs and wants, resources, locations, buying attitudes and buying practices (Kotler et al, 2010). To ensure the revenue management tactics mentioned above can be implemented successfully, revenue managers must fully understand the segmentation base, methods and archetype.

Please visit www.hospa.org to download all the complete papers in this series.

HOSPA Members' Meeting – 22nd February 2012

Robert Barnard from PKF is presenting this event, which is titled 'Avoiding expensive pitfalls in owner-managed relationships'.

Hear from experts at PFK (UK) LLP and guest speakers from international lawyers Crowell & Moring who both have considerable experience in resolving disputes between owners and operators and learn how to reduce the tensions and operating risks by avoiding expensive legal proceedings.

An expert panel will be drawn from hotel consultants, expert accountants and lawyers with expertise in the hospitality sector.

To find out more about the event, please visit our website (www.hospa.org) or email Wayne Gosden (wayne.gosden@hospa.org).

HCAA Hong Kong reaches its 20th birthday



The Hotel Controllers & Accountants Association, founded in 1991, celebrated its 20th anniversary with a VIP dinner at the famous Hong Kong Jockey Club on 4th November 2011. The Association has been chaired by Clarence Shun Wah for over 18 years and was founded by Andy Wong, its first Chairman, after he had visited the UK and had been introduced to BAHA. The HCAA Hong Kong has currently over 130 members and is growing fast.

Howard Field, as Chairman of what was then BAHA's International Committee, helped with the establishment of the Hong Kong Association, (initially as an affiliate of BAHA) and was invited to attend the anniversary dinner.

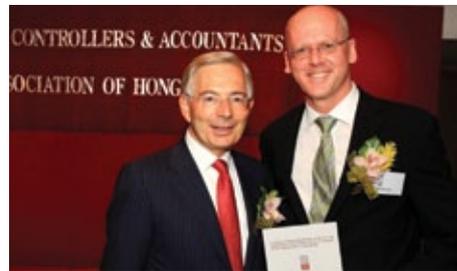
Howard's visit to Hong Kong coincided with the completion and publication of HCAA's 'A Guide for Hong Kong Hoteliers to the Use and Interpretation of the Uniform System of Accounts for the Lodging Industry, Tenth Edition'. The Association's first publication was prepared by Howard with the involvement of a local working party, and the support of HFTP, Horwath HTL and the Hong Kong Hotels Association.

The current Global President of HFTP, Lisa Funk, was also a guest at the anniversary dinner. Both she and Howard gave short speeches to recognise the Association's achievements. Howard

reminded the attendees that it took BAHA 20 years to reach the milestone of its first major publication.

HCAA will continue its close relationship with HOSPA, which includes reciprocal access to resources for education and training, to publications and to both websites (<http://www.hospa.org/>; <http://www.hcaa.org.hk/>). HOSPA members travelling to Hong Kong will be able to make local contacts via this link. HFTP also provide substantial support to HCAA to facilitate its growth and importance to the Asia region.

HOSPA joins Lisa and Howard in adding their congratulations to HCAA for reaching their 20th anniversary, and wishing them every success for the future.



Howard Field with Martin Lew of Peninsula Hotels, and Vice Chairman of HCAA, at the HCAA anniversary dinner.

HOSPA membership survey 2011

This is the first of a series of articles presenting the results from the HOSPA Membership Survey 2011.

Since 1990, we have been conducting five-yearly surveys of the membership, looking at the way the role and responsibilities of hospitality financial controllers have changed over the years (we've also started to gather data on revenue and IT managers now and, although there isn't enough data yet to analyse, we will be able to make some comparisons in another 5 years).

In this short article we'll give you an overview of some of the major changes in the finance area, as seen by HOSPA members, and their predictions as to their future role. No attempt has been made here to compare to other research findings.

The survey was distributed at the beginning of the year, to approximately 800 paid-up members at that time, with 107 responses – a response rate of more than 13%, which is reasonable for an on-line survey.

Our thanks to all those members who helped with our research.

Changes in the Finance area over the last 5 years

- Statutory requirements have resulted in more compliance and risk assessment.
- During the recession the operation has become more lean and, hence, more stretched.
- More outsourcing, centralisation and clustering has reduced the finance function in the units, and there has been some consolidation of roles.

Written by Cathy Burgess, Oxford School of Hospitality Management, Oxford Brookes University and member of the HOSPA Education Committee.

- Technology has resulted in a reduction of book-keeping and a consequent improvement in professional accounting standards.
- There has been a trend towards more strategic decision-making, not just reporting performance, and at the same time more operational decision-making has been required, especially in revenue and sales departments.
- This has put more pressure on departmental managers, with greater demands for support and advice, with more consultation. As a result, the controller has been expected to give support to other managers, being an advisor on business decisions and being seen as a 'business leader' Changes for the future.
- The business is expected to become even more competitive, with customers more demanding and expecting ever higher standards from both property and staff.
- The split between branded chains and independents is likely to grow more pronounced, with more centralisation and outsourcing and, so, controls may get harder.
- Management are expected to become more strategic, driving the business forward, and so the trend towards more information and analysis continues.
- The role of the controller will continue to evolve as a business partner, advising other managers on all aspects of business as well as being the 'guardian' of controls.
- In particular, there is likely to be more involvement in both revenue management and with the GM and, hence, the role will be far more of a 'commercial director'.
- Hence for the 'leaders of the future', the need to invest in training and development is critical.

In the next edition of the Overview, we will be giving some summary results on the future for RM and IT.

Members' News

Celebrate Success! Let HOSPA know if you win an award, move to a new post, retire or do something to help the industry at info@hospa.org

2011/12 Award Categories launched by the Considerate Hoteliers Association for prestigious annual 'Considerate Hotel of the Year' Accolades

The Considerate Hoteliers Association (CHA) announced the award categories for its prestigious 'Considerate Hotel of the Year Awards 2011/12' which are open to all UK hotels; and small accommodation operations ranging from B&Bs and guest houses to pub/inns/restaurants with rooms.

The 2011/12 CHA award categories are as follows:

- The CHA's traditional highest accolade – 'The Considerate Hotel of the Year', sponsored by Gilchrist & Soames Ltd.
- 'The Considerate Sustainable Food Award', supported by Sustain and Fairtrade.
- 'The Considerate Green Team of the Year', sponsored by Beacon Purchasing.
- 'The Considerate Green Champion of the Year', supported by GRAM UK.
- 'The Considerate Small Accommodation Provider of the Year Award', sponsored by Gilchrist & Soames Ltd.
- 'National Considerate Supplier of the Year', supported by Beacon Purchasing.
- 'Local Considerate Supplier of the Year', supported by Beacon Purchasing.
- 'Best Green Marketing Initiative Award 2011/12'.

The closing day for entries is midnight on Friday, 6 April 2012 and the awards will be presented on Thursday, 31 May 2012, at a special Gala Lunch at the 5-star luxury Four Seasons Hotel London at Park Lane. To find out more about the annual 'Considerate Hotel of the Year' Accolades, including entry forms and timing details, please visit the CHA website (<http://www.consideratehoteliers.com/>).



Reduce the rate of VAT to 5%



The BHA recently reported that this year would be one of the most significant for the UK hospitality and tourism sector, as the Olympic Games and the Diamond Jubilee celebrations would focus international attention on Britain.

Therefore, the Association asserted that 2012 presented a one-off opportunity to make the case to government that the best way to boost growth was to reduce the rate of the VAT to 5% for hotel accommodation, entry to attractions and on out-of-home meals.

The Association claims that January would see it stepping up its efforts to make the case to government and so ensure the lasting legacy that a VAT cut would bring to the industry – and to the UK economy.

So far, the BHA has brought together a strong coalition of partners, including the British Association of Leisure Parks, Piers & Attractions, the Federation of Small Business and the Tourism Alliance. Backing the coalition is an independent report by Deloitte, commissioned by Bourne Leisure and Merlin Entertainments, which provides evidence that a reduction in VAT would produce a net benefit to the Treasury of £2.6bn over ten years, generate some 78,000 jobs and drive further investment in the UK.

The BHA confirmed that it already had begun an ongoing series of positive discussions with HM Treasury Officials and that its next step was to adapt a version of the Treasury's economic model to demonstrate the impact of a reduction in VAT using the Treasury's own modelling approach. The BHA was also eager to hear industry professionals' views on what a reduced VAT rate would mean to their business and had therefore set up a short online survey (Source: BHA, 2011; <http://www.bha.org.uk/2011/12/15/15712/>).

Concierges beware: selling Olympic tickets is illegal



In BHA's recent press release, the Association and the Institute of Hospitality were warning members, on advice from the Metropolitan Police, that the unauthorised selling of Olympic tickets is a criminal offence. In particular, hotel concierges should not offer to sell a ticket or advice that a ticket is available for purchase.

Philippe Rossiter, CEO of the Institute of Hospitality, said that if concierges were asked to provide tickets, they should reply that they were unavailable and they could not be supplied. Martin Couchman, deputy CEO of BHA added that the maximum penalty for unauthorised selling of Olympic tickets was being increased to £20,000 for each offence (Source: BHA 2011; <http://www.bha.org.uk/2011/12/07/concierges-beware-selling-olympic-tickets-is-illegal/>).

Hospitality Guild

HOSPA is proud to become involved with the newly launched Hospitality Guild. People 1st successfully led a bid to the Government's Growth and Innovation Fund for the creation of the Hospitality Guild in collaboration with nine other founding partners. Awarded the largest funding of any bidding organisation, the bid has been praised for its ambition and innovation. The Guild, an initiative championed by People 1st, brings together industry bodies, businesses, learning providers and individuals to promote skills training, apprenticeships, innovation and to increase levels of professionalism within the hospitality sector. It will act as a market place for its members where standards are set, met and showcased. Founding partners include: the Academy of Culinary Arts, the Academy of Food and Wine Service, AICR, British Institute of Innkeepers (BII), HOSPA, the Institute of Hospitality, People 1st, Springboard UK, the National Skills Academy for Hospitality, the Professional Association of Catering Educators (PACE) and the Worshipful Company of Innholders.

'We look forward to working with the Guild to promote skills training and apprenticeships in Finance, Revenue Management and IT' says Debra Adams, Head of HOSPA Education Services.

Little cheer from the Chancellor on Uniform Business Rates

The Chancellor's Autumn Statement disappointed businesses by failing to lower the estimated 2012/13 increase in Uniform Business Rate (UBR). This means that the UBR looks likely to increase by 5.6% in line with the September Retail Prices Index from April 2012. This will clearly be bad news, when the sector is already suffering from increases to other costs.

However, the Autumn Statement did offer hope to some sectors of the hospitality and leisure industry. The Chancellor announced that businesses in England will be able to defer 60% of the increase in their liability for 2012/3, presumably along similar lines to the 2009/10 deferment scheme. We await further details. However, only a small number of companies are expected to apply and the system proved quite complex when it was employed before.

Smaller businesses may also benefit from the enhanced Small Business Rate Relief Scheme announced in the Autumn Statement. The scheme is extended from October 2010 to March 2013. This only applies to businesses with assessments up to a rateable value of £6,000, which will have no rates liability until April 2013. The relief then reduces on a sliding scale to £12,000.

Businesses are also suffering as new Valuation Tribunal procedures, coupled with limited resources and lack of information at the Valuation Office is lengthening the time it takes to resolve appeals and achieve rate savings for business occupiers, causing the inevitable consequences for cashflow.

By Sandra Clark, Rating Specialist at Edward Symmons.

For advice on these, or any other rating matters, please contact Sandra Clark, Rating Specialist at Edward Symmons. Tel: 020 7344 4523 email: sandra.clark@edwardsymmons.com.

Late night taxi exemption Government decided not to abolish

Where an employee is provided with a taxi paid for by his or her employer for a journey from work to home, a benefit to the employee arises and taxes become due. This is because journeys between an employee's home and permanent place of work are "private journeys". However, there is a tax relief available for late night taxis, which means, the benefit can be treated as exempt as long as certain conditions are satisfied.

However, last year the Office of Tax Simplification (OTS) made several recommendations to abolish this relief which caused great concerns for the hospitality industry. The good news is that the Government has recently decided not to abolish the late night taxi relief.

As a reminder, in order to qualify for the tax relief, there are four late working conditions, all of which must be satisfied -

- 1) the employee is required to work later than usual AND until at least 9pm;
- 2) this occurs irregularly;
- 3) by the time the employee ceases work either public transport has ceased or it would be unreasonable to expect the employee to use public transport; and
- 4) the transport is by taxi or similar road transport.

By Rachel Hedden, Group Financial Reporting Manager, Rocco Forte Hotels and member of the HOSPA Technical Committee



'New Approaches to a Bright Future', was the title of the first HOSPSPACE 2011 – the new name for the 6th BAHA Annual conference and Exhibition – which attracted a record number of delegates, speakers and IT exhibitors.

Following on from the success of the 5th Annual BAHA Conference and IT Exhibition in 2010, the sixth event entitled 'New Approaches to a Bright Future' – the first to be staged under the name of HOSPSPACE 2011 – again attracted a record attendance when it was held on 24 November at the Sofitel Hotel, London Heathrow at Terminal 5.

A total of 350 delegates, speakers and IT Exhibitors gathered for what proved to be a highly informative and enjoyable day – kick-started by an excellent conference introduction from Surinder Arora, founder of Arora Hotels, whose portfolio includes the HOSPSPACE 2011 host hotel. He compared hotel performance in the current difficult trading conditions to a bicycle ride down valleys and up hills. "In times like this," he said, "we need to make sure we have the best team around us and we treat them all like family, bringing them on board and ensuring they understand the ups and downs, whilst encouraging them to pedal even harder up the hills to ensure we get to our destination."

The opening scene-setting session of the morning involved top hospitality industry practitioners and analysts leading an industry 'state-of-the-nation' overview discussion, reviewing the current UK hospitality industry and examining the challenges and opportunities presented by the 2012 Olympics. The team included: Ciaran Fahy, Managing Director, The Cavendish London; Sarah Duignan, Director of Account Management, STR Global; Peter Martin, Founder, Peach Factory – a media, insight and networking business providing analysis, intelligence and market access in the UK eating and drinking-out market; and Liz Hall, Head of Research for Hospitality and Leisure, PricewaterhouseCoopers. The current malaise in the economy was the focus of the debate. However, there are some causes for optimism in 2012 that include: continuing corporate travel revival though there is a risk that this won't last; holidays remaining important for people's sense of wellbeing even though affording them is



getting harder for many; the Olympics, Paralympics, Diamond Jubilee and Farnborough International Airshow will generate demand and a 'feel good' factor; and, as the finance drought continues around the UK, the low level of new hotel openings is helping prop up existing operators. The market is still highly competitive but it could be worse. Current issues, trends and developments affecting all hospitality professionals were then examined in a special 'Leaders Panel' discussion by five of the industry's most influential figures – Ufi Ibrahim, Chief Executive of the British Hospitality Association (BHA); HOSPA President Robert Cook, Chief Executive of Malmaison and Hotel du Vin Hotels; Patrick Dempsey, Managing Director, Whitbread Hotels & Restaurants; Richard Lewis, the new Chief Executive of Best Western Hotels; and Casey McDermott, Vice President, Hotel Performance Support EMEA (Europe, Middle East and Africa), IHG (InterContinental Hotels Group). The skilful questioning of HOSPA Chairman Paul Dukes, who is also Chairman at Kew Green Hotels, prompted a lively and informative discussion. The panel's responses to the first question: "are there any green shoots of recovery and causes for optimism?" included:

- Though occupancy is stable and there are Average Daily Rate (ADR) increases, there is still a lot of fear of the unknown
- Due to financial pressures, leisure consumers (more specifically the double-income, no children sector) are tending to take three day weekends throughout the year, as opposed to a more traditional fortnight break. This is helped by the particularly high UK Air Passenger Duty rates (the UK is placed 134 out of 139 in terms of airport tax competitiveness) which make travellers think twice about taking a holiday abroad. Indeed, this is helping domestic tourism demand as a whole.
- Though London and the South (notably Brighton) are performing well, the centre of the UK (for example, York across to Manchester and Liverpool) is proving a particularly tough and competitive market for hoteliers. Specific events, such as major football matches in Manchester, are very important to these destinations.

- Banks are not changing the way they deal with the hotel industry but they are acting differently. Worryingly, certain banks are exiting the hospitality business in general
- Hospitality industry and government are coming together to see what can be done at this difficult time to boost hospitality growth, create jobs and generate wealth. Price competitiveness with other countries is not good and at very least the UK needs to be able to compete with the EU. This is certainly not happening in the case of VAT where France, for instance, has had its VAT rate cut to 5 per cent for restaurants, based on improved employment, improved goods and price control. The British Hospitality Association (BHA) is spearheading a major campaign to make the case to Government to reduce VAT in the UK to 5 per cent for hotel accommodation and attractions to boost growth in the current economic climate. Towards this end, the BHA is already involved in positive ongoing discussions with HM Treasury officials; and has brought together a strong coalition of partners, led by the BHA, which includes the British Association of Leisure Parks, Piers & Attractions; the Federation of Small Business; and the Tourism Alliance. Backing this coalition, an independent report by Deloitte – commissioned by Bourne Leisure and Merlin Entertainments – already provides "ample evidence" to show that a reduction in VAT for hotel accommodation and attractions would produce a benefit to the Treasury of £2.6 billion over ten years, generate some 78,000 jobs, and drive further investment in the UK.
- Really important to invest in the quality of your product and concentrate on customer service and give hotel guests the opportunities to spend where they want to. Social media is having a major impact and the industry needs to embrace it – for example, increasingly influential TripAdvisor which gives a good indication of strengths and weaknesses of a hotel's performance and what needs to be addressed. Many negative TripAdvisor reviews are fair and criticisms do need to be responded to quickly, as it can be



- A recession does create opportunities. A positive aspect of difficult economic trading conditions is that it forces hotel businesses to examine their products and be creative and inventive – embracing, for instance, social media and ecommerce.
- International demand for staying in the UK has grown by seven percent – the BRIC (Brazil, Russia, India and China) countries are increasingly important sources for inbound and outbound business.

Paul Dukes then posed the question: 'What lessons have been learnt from the recession?' The panel believed:

- Revenue management and dynamic pricing are here to stay so there's a need to get to grips with it.

Finally, Paul Dukes turned the panel's focus of attention to the 2012 London Olympics. Some of the points made were:

- Hoteliers need to be realistic about prices and real occupancy levels.
- There will be soft periods immediately before and after the Olympics.
- There is a risk of displacement of demand.
- There is a current lack of cohesion between the agencies involved in attracting visitors to the Olympics – everyone should be working together in unison to get people to the UK for the Olympics and

Paralympics in order to maximise the huge growth potential. Well intentioned but naively delivered campaigns are potentially disastrous.

- The prohibitive cost of train travel outside London between major UK destinations needs to be addressed.

The major issue for hoteliers of 'Making design pay: proving that capital expenditures (Capex) and refurbishment can pay off' was then put under the microscope by a panel of top hotel practitioners and finance specialists. The team of experts leading the session included Russell Kett, moderator for the discussion and Managing Director of leading hotel advisory firm, HVS; Kiaran MacDonald, General Manager at The Savoy, London; Diane Scott, Director of Business Development at Lloyds TSB; and Matt Rosenberg, Chief Finance Officer at QMH Hotel Group and Vice President Finance and Asset Management at Westmont Hospitality Group.

This session focused on the combined experience of three panellists whose companies are at the sharp end of making sure that capital expenditure, whether for new projects or refurbishments, truly pays off.

Rounding off the morning sessions was a top level 'IT Debate' where the major challenges presented by hotel guest expectation regarding new technologies were put under the microscope. A panel of leading hospitality industry IT experts – including Frank Wolfe CAE, Chief Executive Officer of HOSPA's strategic partner Hospitality Financial and Technology Professionals (HFTP); Jeremy Ward, Senior Vice President IT at Kempinski Hotels; Thierry Guiraudios, Vice President IT, Louvre Hotels; and Mark Read, Group IT Manager, Firmdale Hotels – discussed the nature of new technologies expected by today's hotels guests, together with an examination of the investment and upgrades required to meet current demand. Overseeing proceedings was HOSPA IT Community Chair Bryan Steele, Managing Director of Jireh-Tek. The panel believed that that with the continuing rise of guest mobile technology being bought to hotels, it was perhaps best for hoteliers to just provide the infrastructure and support for guest mobile devices with services, rather than investing in expensive technology destined to become quickly outdated and in need of replacement.

Given the need for cost effective bandwidth, a major dilemma for the hotel industry is whether the internet should be offered free to guests, or at a price. It was pointed out that if you are a hotel marketer, it is likely you would want to offer free internet access, but if you are in hotel finance the opposite would be true! The growing consumer trend for streaming, as in the case of TV programmes, is providing an even bigger drain on bandwidth. Given the fact that guests expect to pay for bandwidth at home, perhaps an effective model for hoteliers to adopt could be a tiered payment system whereby a certain amount is given away for free; and if the customer want to start streaming, then it has to be paid for. This comes with the caveat that if you charge, then you have to ensure it works!

The afternoon HOSPACE 2011 sessions began with the major focus of attention for hospitality Revenue Managers – namely, the ongoing investigation into alleged price fixing within the hotel industry. The team of hospitality Revenue Management experts who put this thorny issue into perspective for HOSPACE delegates under the heading: 'Rate Parity, pricing and the Office of Fair Trading (OFT) Investigation – are your policies and practices putting you legally at risk?' were Warren Mandelbaum, Chair of HOSPA's Hospitality Revenue Management Community (HRMC) who facilitated the discussion; Neil Baylis, Partner at K&L Gates Solicitors; Sally Richards, Managing Director, Raspberry Sky; Wilhelm Weber, Partner, Swiss Hospitality Solutions; Ian Miller, Professor of IT, Lausanne Hotel School; and HRMC Deputy Chair Cheryl Hawksworth of IDeaS and HRMC committee member Chris Cooper, Head of Commercial, Mint Hotels, who assisted with the audience participation.

Valuable expert opinions, related to the background and potential

consequences that the investigation may reveal, were explored and debated – with the opportunity for delegates to have their say and address questions to the panel. Everyone agreed that this was a highly complex subject that the panel had done a superb job of clarifying and explaining.

HOSPACE 2011 delegates were then given the opportunity to attend three sessions from a comprehensive programme of 18 'Interactive Educational Workshops' – sponsored by Sabre Hospitality – on topical subjects ranging from 'Emerging technologies to reduce Total Cost of Ownership (TCO)'; 'Exploring your online competitive advantages'; and 'Transforming businesses with e-invoicing and e-procurement', to 'Payment Card Identity (PCI): cutting through the confusion' and 'Hosted Solutions: the way forward?'. Each of the 'Interactive Educational Workshops' had been placed into streams for Finance, Revenue Management and Technology.

During the coffee, lunch and tea breaks, HOSPACE 2011 attendees were able to benefit from a growing and increasingly influential exhibition of IT suppliers – providing a 'one stop shop' to view and interact with the latest and 'best in class' technologies. These covered all eventualities for hospitality businesses – regardless of whether they be start-up, established independent, or multi chain-owned, operations.

The event's grand finale Gala Dinner – including the signature 'Pub Quiz' – once again proved to be one of the traditional social networking highlights of the HOSPA Annual Conference. This year, the HOSPACE 2011 Gala Dinner was introduced by Harry Murray MBE, Chairman of award-winning Lucknam Park Hotel & Spa near Bath, who gave a highly entertaining speech that included very amusing and insightful anecdotes about some of the celebrities he encountered during his distinguished career running some of the world's most prestigious establishments. The dinner was followed by entertainments and a disco enjoyed by many into the early hours of the morning!

Join us for HOSPACE 2012

Details to be announced shortly!



Words by

Julian Demetriadi

Managing Director
CommunicationsPoint

This year for HOSPACE 2011 delegates, there was a major hospitality technology bonus. HOSPA's strategic partner – Texas-based Hospitality Financial and Technology Professionals (HFTP) – partnered its popular European Hospitality Technology Educational Conference (EHTEC) with HOSPA's HOSPACE 2011. An extra day was added to the one-day HOSPACE 2011 to accommodate 'EHTEC@HOSPACE 2011'. The subjects to covered ranged from: 'How does technology generate revenue, or does it in fact do so?' and 'Data Security/PCI', to a presentation on 'Cloud' computing; and a problem solving 'Ask the Experts' session. EHTEC@HOSPACE was offered as a complimentary extra only for delegates attending HOSPACE 2011. We were delighted that Lisa Funk, who is HFTP Global President, and Frank Wolfe, CEO were able to join us throughout the two days.

➔ WINNERS OF THE 2011 HOSPA SCHOLARSHIPS

For the first time, the awards were sponsored by HFTP and split into two categories. The first were for outstanding young hospitality industry employees, under 30 years of age, in finance, revenue management or IT; and the second were for UK University and College students who have excelled in their current full-time undergraduate hospitality-related studies. The former category winners were nominated for their awards by senior hospitality industry practitioners and the latter by hospitality course leaders.



All the winners had the opportunity to learn from, be noticed and publicly recognised at last year's HOSPACE 2011 and, in addition, they attended the HOSPACE 2011 Gala Dinner.

Outstanding Young Employee Winners

Simone Hofer, Assistant Financial Controller, Red Carnation Hotels

"I started my career with Red Carnation Hotels as a receptionist at the Milestone Hotel in Kensington, but worked my way up to reception manager. Working at the Milestone was a fantastic experience and my front office knowledge certainly helps me a lot since I moved to finance 5 years ago. Red Carnation has made it possible for me to change from front office to finance without any prior experience in accounting or finance. And I really could not have done this without the constant support of my fantastic managers Sarah and Andy. I've been working as an Assistant Financial Controller at the Chesterfield Mayfair for the past 4 years and it has been a great experience."

Lucy Holder, Revenue Manager, Ramada Encore Ipswich

"I started my career working in the food and beverage department, I then moved onto reception where I worked as a receptionist for 2 years. I was then moved to Reception Supervisor which I did for 9 months. I then moved over to Revenue Management which is my current position and this role has totally transformed me as a person! I love delving into all aspects of Revenue

Management and getting involved and stuck into this job. There is so much more to learn as I feel I am in the early part of my career and feel this is the job for me."

Cherith Howells, Sales Executive at the Malmaison Hotel and the Hotel du Vin in Edinburgh

"I have always worked in Customer Service posts and while studying Music, I worked part time in local Bars but moved to a more customer focused venue in a full time post on completion of my studies. There I moved into Supervisory and Assistant Manager Roles. Despite my passion for the industry, I felt I needed more office experience so began work with a local Solicitors and Estate Agents as a Secretary. I next moved on to a post with British Airways as Cabin Crew and after feeling I had experienced all I could, I started with Malmaison Edinburgh as Bar Manager. In order to learn the less operational side of the business, I moved into Sales in January 2011."

Laura McNally, Revenue Manager at The Coppid Beech Hotel, Bracknell, Berkshire

"I started working in hospitality straight from college, initially working in operations before making the move to Meetings & Events/Reservations. Having worked in a number of non-residential venues, my first hotel was the then Macdonald Castle Hotel (now Mercure) where I worked for an excellent General Manager and Revenue Manager who taught me the principles of revenue and yield management, and maximizing profitability. I have worked in a number of chain and independent hotels

in various positions before moving to the Coppid Beech Hotel in Bracknell four year ago where I am now Revenue Manager responsible for a multi million pound budget, all by the age of 28!"

Darren Wright, Regional Accounts Assistant, Rezidor Hotels UK

Darren has been with the Rezidor Hotel Group for a little over 11 years, he started in one of the flagship hotels the Radisson Blu Hotel Manchester Airport as the credit manager, before moving to the newly built Radisson Blu Jersey and later to our sister brand's Park Inn by Radisson York and hotel Missoni. Now working for Rezidor UK, Darren plays an integral role within the UK regional office with his excellent knowledge of the hospitality industry and unwavering commitment, offering continued support and a willingness to further develop his career within the hotel group.

UK University and College Hospitality Student Winners

Marcelina Jesus, studying for BA Hospitality & Business Management at Westminster Kingsway College

"Having worked in the restaurant sector for a few years, I decided to further my education with an HND in Hospitality and Tourism. As I proceeded through the course I had the opportunity to join the Tourism Industry and started working in the Product and Operations Department for a niche diving tour operator. The experience and practice I gained on the job coupled with the HND course has helped me build the foundations I needed for the Undergraduate

Degree at Westminster Kingsway College. Attending HOSPSPACE11 was one of THE highlights of my education and career to date and was a great way to meet and network with many industry professionals.”

Sarah Kamensky, studying MSc International Hotel & Tourism Management at Oxford Brookes University

“I am currently a MSc Student in international Hotel and Tourism Management at Oxford Brookes University. In June 2011, I completed my undergraduate studies in international Hotel and Tourism Management at Institut Vatel Nimes in France. During this period I accomplished three internships, one of them as Assistant F&B Manager at Hotel Amigo (Rocco Forte Collection) in Brussels. However, from the beginning of my Bachelor studies I was passionate about finance in the hospitality industry. I am especially interested in Revenue Management and Pricing. Due to my studies I am currently writing an academic article about Pricing that is a preparation for my Master thesis. My aim for the near future is to become Revenue Manager in a 5 star luxury hotel.”

Daniela Mandt, studying BA (Hons) Hospitality Management at the University of West London

“I started to build my career in the dynamic Hospitality Industry 7 years ago, working in the Housekeeping department to develop and improve my skills and to gain more knowledge about the industry in the UK. After 1 ½ years, I applied for an internal vacancy for the Food and Beverage department to work as a hospitality assistant. In this position, I gained experience through training courses provided by the company. My enthusiasm and hard work led me to a hospitality supervisor. Moreover, I have been promoted as a Junior Food & Beverage Manager with all the daily challenges of the hospitality industry. I motivate myself and strive to deliver an excellent customer service and to meet the goals of the organisation.”

Cara McElroy, studying for BA (Hons) Hospitality Management at Bournemouth University

“I am a third year student at Bournemouth University studying Hospitality Management BA (Hons), achieving to date a First Class Honours level of work. During my University studies, I have enjoyed being a Peer Assisted Learning Leader and assisting with the founding of the Hospitality and Tourism Student Society. Currently on my industrial placement year, I am working as Management Trainee at The Runnymede-On-Thames Hotel, presently positioned in the Meetings and Events Operations department. In 2010, I was accepted onto the Savoy Society Mentoring Scheme where I was paired with my mentor,

Howard Field. I have a keen interest in financial management, recognised by my achievement of the Paul Bristow Memorial Finance Award in 2010, awarded by Bournemouth University.”

Charlotte Wright, studying for BSc (Hons) International Hospitality Management at University of Surrey

“I am currently studying International Hospitality Management at the University of Surrey. Throughout years 1 & 2, I have achieved a percentage pass equivalent

to a First Class Honours degree resulting in a University of Surrey Performance Scholarship and a scholarship from the Savoy Education Trust. To compliment my degree and to widen my experience, I have sought placements that will help me establish a sound basic knowledge of the hospitality industry whilst building my confidence as I approach a full time position in employment.”



Pictured left to right at HOSPSPACE 2011 are the HOSPA young employee winners with Frank Wolfe CAE CEO of awards sponsor HFTP (extreme left): Simone Hofer, Cherith Howells, Lucy Holder, Darren Wright, Laura McNally and HFTP Global President Lisa Funk.



Pictured from left to right at HOSPSPACE 2011 are the HOSPA UK university and college student winners: Sarah Kamensky, Cara McElroy, Charlotte Wright, Marcelina Jesus. Not in the Picture: Daniela Mandt.



The issue of a reduced VAT rate for the hospitality industry

In an analytical review of the issues influencing the current debate on VAT Martina Ertlmeier considers the case for the hospitality industry.

Countries belonging to the EU are aware of the fact that the tourism industry is exceptionally price-sensitive and exposed to stiff international competition. Thus, most EU countries have reduced their VAT rates on accommodation.

For instance, in 2009, France has reduced its VAT rate to 5.5% on hotel accommodation, restaurant services and admission to amusement parks. It is estimated that, since then, the VAT cut for restaurants has created over 53,000 jobs, has saved 15,000 establishments from bankruptcy and has had a positive influence on the minimum wage and the annual staff turnover in the restaurant industry.

Another example is Germany which introduced a reduced VAT of 7% (standard rate is 19%) in January 2010. Although it may be too early to accurately evaluate the effect of the VAT cut, first findings

indicate that hotel investment has been boosted, 10,000 jobs have been created, wages have increased and prices were reduced (BHA 2011a).

The latest EU member state that reduced the VAT (from 13.5% to 9%) for goods and services related to the tourism sector, which comprises accommodation, restaurants and catering services, is Ireland. The Irish minister for finance, Michael Noonan, stated that the targeted VAT relief is to boost tourism and stimulate employment (BHA 2011a; Paskin 2011).

Even though an overwhelming majority of EU Member states have reduced their VAT rate for the hospitality industry, the UK is one of three countries - Denmark and Slovakia are the other two countries - which has not implemented a decreased VAT rate for this industry (BHA 2011). As pointed out in its recent report, BHA regards this



fact as a considerable barrier for the British hospitality industry to grow, as it is not able to compete on price with other major European countries. This fact, the World Economics Forum's latest Travel and Tourism Competitiveness Index shows that, on price competitiveness, the UK ranks 135th out of 139 countries. BHA argues that because of the high VAT rate, the targets set out by the Government in the UK Tourism Policy, which includes the growth in inbound tourism to the UK by additional £2bn and the increase

On price competitiveness, the UK ranks 135th out of 139 countries

in the proportion of what British people spend on holiday in the UK to 50% (it is currently 40%), will not be achieved (BHA 2011a). In addition, Nick Varney, chief executive of Merlin Entertainment Groups, claims that Britain has dropped from the top five of international destinations to number 11 because of the high VAT rate (Osborne 2011), and Eric Brown, General Manager of Best Western Scores Hotel, asserts that Britain's lack of competitiveness puts the country at a significant disadvantage with regard to specialist holidays, such as golf (The Scotsman 2011).

Looking at these facts, industry experts, professionals and organisations argue that a reduced VAT rate of 5% is necessary in order to enable the British hospitality industry to grow and to make the country more attractive to international tourists (Paskin 2011, Osborne 2011, The Scotsman 2011, Perrett 2011a, Pescod 2011, Best Western Premier 2011, Travel Weekly 2011). In addition, a reduced rate would bolster the economy and create tens of thousands of jobs, in particular among young people (Travel Weekly 2011, Osborne 2011, BHA 2011a, Scotsman 2011). Further, a report by Deloitte (Travel Weekly 2011), commissioned by Bourne Leisure and Merlin Entertainments, says that "a rate reduction would result in a VAT shortfall of just over £1.2 billion per year [...] but the move would set off a 'virtuous circle' which would see the Treasury recoup its investment within three years and benefit from a net gain of £2.6 billion over 10 years." Plus, Dermot King, CEO at Bourne Leisure, states that, due to EU rules, a VAT reduction could be enforced immediately without having to change UK legislation (Travel Weekly 2011).

To convince the government of the necessity of a reduced VAT rate, hospitality organisations and key figures have launched several campaigns, e-petitions and other activities. Firstly, BHA has launched a special task force, which is chaired by tax expert Graham Wason and includes hospitality and industry leaders. This committee uses the Deloitte report, which has been mentioned above, as a basis for continuous talks with the Treasury and other important government departments (BHA 2011b). Recently, Ufi Ibrahim, CEO of BHA confirmed that, so far, meetings with the Treasury went positively (Harrington 2011a). Secondly, there are currently two e-petitions running. One of them is part of the Publican's Morning Advertiser's "Thrive for 5" campaign, which also incorporates a facebook page. The campaign is supported by bosses of five managed pub chains and Labour MP Ronnie Campbell (Perrett 2011b; Degun 2011). At the moment, it has 4,655 signatures (Turney 2011). The second e-petition, "Slash VAT, Boost Business" has been created by Caterer and Hotelkeepers and has 1,431 signatures at present (Gerrard 2011). In addition, John Rowe, partner at Francis Clark, is investigating the possibility of setting up a third e-petition (Western Morning News 2011). Thirdly, BHA sent out its latest report "Hospitality: driving local economies" to all MPs, MSPs, ministers, local councillors and Welsh Assembly members as part of their "Adopt an MP" campaign. BHA members

are asked to contact their local politicians and make them aware of the tourism industry's contribution to the local economy, which, ultimately, should lead to the politicians' support of a reduced VAT rate (Nicholls 2011). Fourthly, Jacques Borel, the restaurateur and hospitality expert who was a driving force behind France's VAT cut to 5.5%, has formed a VAT club to campaign for the reduced rate. Members include BHA, BBPA, British Association of Leisure Parks, the Tourism Alliance, Piers & Attractions and Visit Britain (Accounting & General 2011). Moreover, he is supported by BHA, BBPA and Visit Britain to lobby the government on this issue (Paskin 2011). Lastly, the BBPA meets with the Treasury to discuss a possible VAT cut for businesses in the hospitality and leisure sectors (Pescod 2011).

Furthermore, the hospitality industry's fight for a VAT reduction is backed by numerous MPs. For instance, 15 "MPs have signed an Early Day Motion calling for a "sectorally-targeted" VAT reduction to support British tourism" (Western Daily Press 2011) and Labour MP Anne McGuire said in Parliament that it is important for the government to realise that a decreased VAT rate could boost economic growth (Harrington 2011b).

Contrary to the favourable opinion of the tourism industry's key figures and organisations about a reduced VAT rate, the government is opposed to a reduced VAT rate. In May 2011, the Treasury made clear that it rejects a VAT cut for the hospitality sector, as it claims that the fiscal challenge would be too great. Further, David Gauke, exchequer secretary to the Treasury, alleged that there was "no compelling evidence" for the success of a reduced VAT rate (Perrett 2011c). Likewise, when being asked about a VAT cut, the Tourism Minister, John Penrose, and Culture Secretary, Jeremy Hunt, responded that "an instant cut would cost £1 billion and [the government does not] want to do that right now (Osborne 2011)."

However, due to the pressure from MPs and reduced VAT campaigners, the Treasury promised, in October, to examine the arguments for a VAT cut to 5% in the tourism sector. Jacques Borel argues that, if the industry works together and lobbies the government effectively, a VAT cut could be achieved by 2014 (Paskin 2011; Harrington 2011b). Although this may not come in time to assist the industry during the Olympics or for the near future, it may provide significant assistance for both the industry and the country as the economy seeks to climb out of its current recession.

Researched and written by Martina Ertlmeier, HOSPA

The full article with references is available as a white paper from the HOSPA website.



London hoteliers suffer a second consecutive month of profit decline

Hoteliers in London recorded another month of year-on-year decline in profit per room as total revenue levels in the capital dropped for only the second time in 2011, according to the latest HotStats survey of approximately 550 full-service hotels across the UK by TRI Hospitality Consulting.

Whilst hoteliers in London continued to achieve growth in achieved average room rate, with November representing the 25th consecutive month of growth in this measure, the recent trend of room occupancy decline persisted with a 1.9 percentage point drop. That said, volume in the capital remains strong with the city achieving a room occupancy of 82.6 per cent.

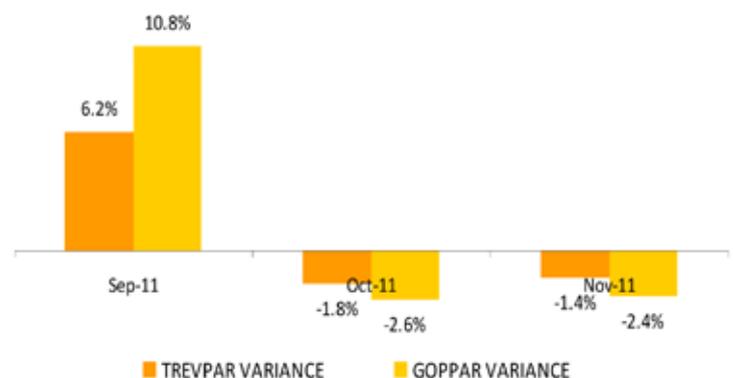
The growth in achieved average room rate in London was in spite of an uncharacteristic decline in the traditionally robust corporate (-1.4%) and leisure (-3.4%) sectors for the city, suggesting a softening of these markets. In contrast, average rates in the conference sector grew by 13.2% to £162.07 for November.

As a result of the movement in room occupancy and achieved average room rate, the London hotel market suffered only a slight decline in Revenue per Available Room (RevPAR) for November, of 0.2% to £114.98. However, Total Revenue per Available Room (TrevPAR) levels in the capital were negatively impacted by a decline in revenue in the ancillary departments, including food and beverage (-2.2%) and meeting room hire revenue (-3.9%) per available room.

The 1.4% year-on-year decline in TrevPAR for the month was further exacerbated by a 0.2 percentage point increase in payroll levels, to 22.2% of total revenue from 22% in 2010. As a result of the movement in revenue and cost levels in November, profit per room or the month declined by 2.4% to £82.12.

“Whilst for much of the year the London hotel market appeared infallible, it is sobering to know that one of the strongest markets in Europe and the world is susceptible to the ongoing global economic challenges. That said, due to a strong period of operation in the first nine months of the year, it is unlikely that the decline in headline performance levels in recent months will prevent the city from achieving a second consecutive year of strong growth in profit per room,” said **Jonathan Langston**, managing director of TRI Hospitality Consulting.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats London Main KPIs

LONDON	Nov '11			Nov '10			YTD '11			YTD '10		
	Nov '11	Nov '10	Var b/w	Nov '11	Nov '10	Var b/w	YTD '11	YTD '10	Var b/w	YTD '11	YTD '10	Var b/w
Occ %	82.6	84.5	-1.9 ▼	82.2	82.7	-0.5 ▼	82.2	82.7	-0.5 ▼	82.2	82.7	-0.5 ▼
ARR	139.20	136.33	2.1% ▲	131.50	122.19	7.6% ▲	131.50	122.19	7.6% ▲	131.50	122.19	7.6% ▲
RevPAR	114.98	115.24	-0.2% ▼	108.09	100.99	7.0% ▲	108.09	100.99	7.0% ▲	108.09	100.99	7.0% ▲
TrevPAR	163.24	165.57	-1.4% ▼	146.64	140.23	4.6% ▲	146.64	140.23	4.6% ▲	146.64	140.23	4.6% ▲
Payroll %	22.2	22.0	-0.2 ▼	23.8	24.1	0.3 ▲	23.8	24.1	0.3 ▲	23.8	24.1	0.3 ▲
GOP PAR	82.12	84.15	-2.4% ▼	70.77	66.74	6.0% ▲	70.77	66.74	6.0% ▲	70.77	66.74	6.0% ▲

ARR - Average Room Rate, RevPAR - Revenue per available room, TrevPAR - Total Revenue per available room, - GOP PAR Gross opportunity profit per available room.

Provincial profitability plummets as the commercial sector shuns rate increases

Profit per room at hotels in the Provinces dropped by 6% in November as rooms revenue levels were impacted by further declines in achieved rates in the commercial sector, according to the latest HotStatssurvey of approximately 550 full-service hotels across the UK.

Whilst volume remained stable for Provincial hoteliers, at a respectable 70% for the month, achieved average room rate suffered a 1.3% year-on-year decline to £69.47. The greatest contributors to this decline were in the corporate (-2.5%) and conference (-2.4%) sectors, which remain resistant to rate increases, with a 1.7% drop also suffered in the achieved rate in the leisure sector.

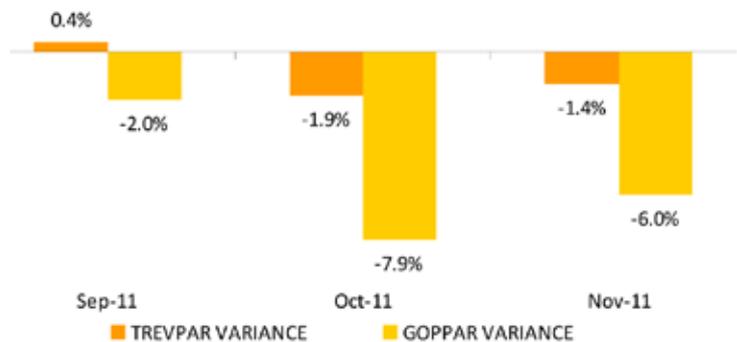
A decline in volume was also suffered in the commercial segment as the proportion of demand attributed to the corporate sector declined by 2.7% for the month. This is equivalent to an average year-on-year drop of approximately 90 roomnights in November, assuming an average count of 150 bedrooms, which represents a significant decline for Provincial properties.

Further challenges in the commercial sector in the Provinces were evidenced by a 4.4 drop in meeting room hire revenue, to £5.27 per available room, suggesting that hoteliers are being forced to offer greater value for money in order to capture demand for meeting space. A two per cent decline in food and beverage revenue per available room was also experienced this month, which followed the 4.1% decline in October.

As a result of the movement in rooms and ancillary revenues, hotels in the Provincial UK suffered an overall decline in TrevPAR of 1.4% to £92.97 this month. In addition to the 0.6 percentage point increase in payroll levels, to 32.2% of total revenue, the unique HotStats survey by TRI Hospitality Consulting, revealed significant increases in undistributed operating expenses, including a 4.7% increase in utility costs and a 3.2% increase in sales and marketing expenses.

“With consumer research company GfK NOP reporting a drop in consumer confidence and the British Retail Consortium recording a 0.7% year-on-year decline in retail sales, we wish that we could be reporting some positive news at this time of year. However, the Provincial hotel market has recorded only two months of profit growth so far in 2011. We hope that we will be reporting better results in 2012,” added **Langston**.

PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats Provinces Main KPIs

PROVINCES

	Nov '11	Nov '10	Var b/w		YTD '11	YTD '10	Var b/w	
Occ %	70.0	70.0	0.0	◀	70.8	70.1	0.7	▲
ARR	69.47	70.39	-1.3%	▼	68.63	68.09	0.8%	▲
RevPAR	48.66	49.26	-1.2%	▼	48.56	47.74	1.7%	▲
TrevPAR	92.97	94.26	-1.4%	▼	90.60	90.36	0.3%	▲
Payroll %	32.2	31.6	-0.6	▼	32.3	31.9	-0.4	▼
GOP PAR	27.56	29.34	-6.0%	▼	27.09	27.88	-2.9%	▼



HOTSTATS Briefing Data

UK Chain Hotels - Performance report Currency: £ Sterling



The month of November 2011

	Nov '11	Nov '10	Var b/w	
TOTAL UK				
Occ %	74.5	75.1	-0.6	▼
ARR	96.94	96.67	0.3%	▲
RevPAR	72.22	72.63	-0.6%	▼
TrevPAR	117.94	119.52	-1.3%	▼
Payroll %	27.3	26.9	-0.4	▼
GOP PAR	46.95	48.75	-3.7%	▼
LONDON				
Occ %	82.6	84.5	-1.9	▼
ARR	139.20	136.33	2.1%	▲
RevPAR	114.98	115.24	-0.2%	▼
TrevPAR	163.24	165.57	-1.4%	▼
Payroll %	22.2	22.0	-0.2	▼
GOP PAR	82.12	84.15	-2.4%	▼
PROVINCES				
Occ %	70.0	70.0	0.0	◀
ARR	69.47	70.39	-1.3%	▼
RevPAR	48.66	49.26	-1.2%	▼
TrevPAR	92.97	94.26	-1.4%	▼
Payroll %	32.2	31.6	-0.6	▼
GOP PAR	27.56	29.34	-6.0%	▼

The calendar year to November 2011

	YTD '11	YTD '10	Var b/w	
TOTAL UK				
Occ %	74.8	74.6	0.3	▲
ARR	93.30	89.48	4.3%	▲
RevPAR	69.83	66.75	4.6%	▲
TrevPAR	110.62	108.16	2.3%	▲
Payroll %	28.3	28.3	0.0	▲
GOP PAR	42.69	41.75	2.3%	▲
LONDON				
Occ %	82.2	82.7	-0.5	▼
ARR	131.50	122.19	7.6%	▲
RevPAR	108.09	100.99	7.0%	▲
TrevPAR	146.64	140.23	4.6%	▲
Payroll %	23.8	24.1	0.3	▲
GOP PAR	70.77	66.74	6.0%	▲
PROVINCES				
Occ %	70.8	70.1	0.7	▲
ARR	68.63	68.09	0.8%	▲
RevPAR	48.56	47.74	1.7%	▲
TrevPAR	90.60	90.36	0.3%	▲
Payroll %	32.3	31.9	-0.4	▼
GOP PAR	27.09	27.88	-2.9%	▼

The twelve months to November 2011

	Rolling '11	Rolling '10	Var b/w	
TOTAL UK				
Occ %	73.9	73.7	0.2	▲
ARR	93.24	89.29	4.4%	▲
RevPAR	68.87	65.81	4.6%	▲
TrevPAR	110.30	107.97	2.2%	▲
Payroll %	28.3	28.2	-0.1	▼
GOP PAR	42.62	41.76	2.1%	▲
LONDON				
Occ %	81.7	82.1	-0.4	▼
ARR	131.01	121.59	7.7%	▲
RevPAR	106.99	99.81	7.2%	▲
TrevPAR	146.09	139.53	4.7%	▲
Payroll %	23.9	24.1	0.2	▲
GOP PAR	70.64	66.64	6.0%	▲
PROVINCES				
Occ %	69.5	69.0	0.5	▲
ARR	68.51	67.95	0.8%	▲
RevPAR	47.63	46.92	1.5%	▲
TrevPAR	90.35	90.43	-0.1%	▼
Payroll %	32.2	31.7	-0.6	▼
GOP PAR	27.00	27.93	-3.3%	▼

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Members' Events

Forthcoming events

- Jan 25 2012** **Breakfast Seminar - London:** An essential summary of current developments in accounting and tax from HOSPA Patrons, PKF.
- Jan 26 2012** **Revenue Management Community Breakfast Seminar - London:** Benchmarking Social Media (1).
- Feb 22 2012** **Members' Meeting' – London:** 'Avoiding expensive pitfalls in owner-managed relationships' presented by PKF.
- Feb 23 2012** **Revenue Management Community Breakfast Seminar - London:** Benchmarking Social Media (2)
- Feb 26 -** **Come and join us at the HOSPA Technology Hub @ Hotelympia**
- Mar 01 2012**
- Mar 22 2012** **HOSPA Members' Meeting**
- Apr 26 2012** **HOSPA Patrons' Meeting**
- May 24 2012** **HOSPA Taxation Forum**
- Jun 21 2012** **Hospitality Revenue Management Community Meeting - London**
- Jul 12 2012** **HOSPA Members' Quiz Night**
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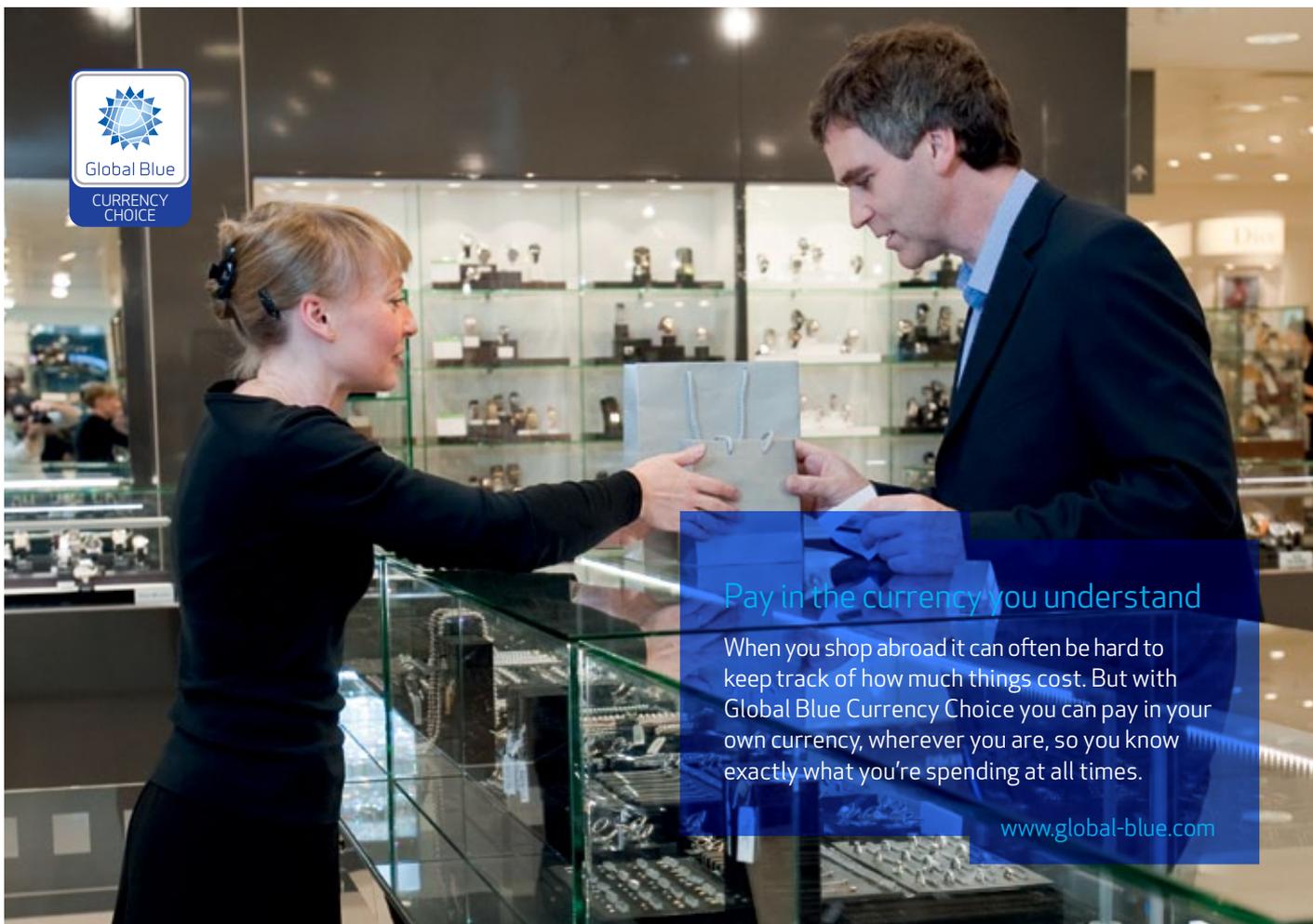
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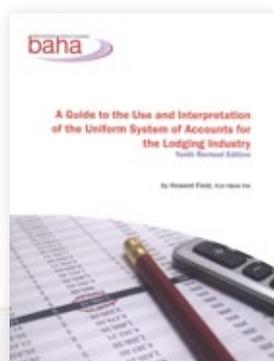
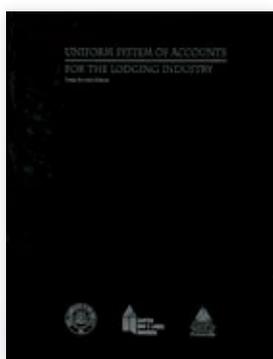


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