

# THE OVERVIEW

ISSN 2048-4844 JANUARY ISSUE 2016

## DIGITAL - THE IMPORTANCE OF INVESTMENT



HOSPA AWARDS  
THE OTA DUOPOLY: PRICELINE VS EXPEDIA

# Welcome to THE OVERVIEW

Dear members,

As the working year kicks off and the bin men refuse to pick up the New Year's recycling of shame, the early indications for this year are that super-sizing it will be the theme we take away when it's all over.

Kicking this off were the hotel companies, with Marriott International acquiring Starwood Hotels & Resorts, followed by Accor Hotels moving on Fairmont.

The Accor/Fairmont deal was easy to explain - economy-heavy Accor was looking for a bit of luxury - but Marriott/Starwood took the market by surprise, with even Arne Sorenson, Marriott president & CEO, commenting that the group had "jumped in" when Starwood announced its strategic review seven months ago, but that, initially, it was "not very interested". Later documentation released to the SEC confirmed that Starwood had approached Marriott, but lost interest.

The turning point, Sorenson said, came with the rise of consolidation in the online travel agent sphere and the growth of companies such as Airbnb, which saw the group become "more convinced that strategically we could drive better value and compete better by being bigger".

So this was less about filling in holes in Marriott's portfolio - it already has more brands than anyone can reasonably name, with potential for a parlour game - but online distribution has meant that the only thing that matters is scale. Accor Hotels knew it earlier in the year when it announced that it was opening up its online booking platform to independent hotels, with no need for the hotels to take on the company's brands. The group hopes to triple the number of hotels offered on its Accor Hotels website, taking it to more than 10,000 rooms by 2018.

The year ahead is likely to see greater consolidation, with InterContinental Hotels Group tipped for the next deal. We watch with interest.



*Katherine Doggrell*

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# HOSPA

Hospitality Finance, Revenue and IT Professionals

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Cloud-based hospitality software for hotels, groups, apartments and pub chains



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## What will 2016 be like?



### Carl Weldon, HOSPA CEO, casts the runes

**T**he New Year is already upon us – and what will it bring, for our industry at least? I thought I may as well lay out my views at least and see if anyone out there agrees.

First of all, Wi-Fi will get better in hotels – if for no other reason than customers will demand it. Those without it will start to lose business. The technology will get better to deliver a better service and customers bringing their own devices with their own programmes will continue to increase.

A friend of mine, who was recently staying in hospital, complained because a football game on Sky brought the hospital Wi-Fi down because so many were watching it on their own devices. He said: “It’s all about the bandwidth and connectivity on property allowing guests with own devices to connect to services that are in ‘the cloud’ and make their experience seamless”. Hotel operators and management will more readily start to realise that Wi-Fi is a utility, just like water and gas.

Secondly, the Internet of things is coming to hotels – or as we in HOSPA like to call it – The Internet of Hotel Things. Wearable technology will be part of this, but more so in 2017. This year the seamless experience with the App and wearable to open doors and have personal experience will increase – assuming the Wi-Fi can handle it. This will start more with the big brands (the Marriott Internationals and Starwood Hotels & Resorts) and new upmarket hotels.

Thirdly, we will see more done with digital payments systems such as Flypay and Apple Pay as they become the norm – more so in retail F&B outlets but hotels will have to get on board quickly.

Fourthly, the USALI (Uniform System) will start to take hold as those early adopters go from planning to implementing and reporting – and the benchmarking reports are changed. The accounting systems with greatest flexibility – which tends to mean ‘in-the-cloud’ – will become more prevalent and take the

lead. USALI straight out of the box so-to-speak will become a real advantage. The USALI will start to be updated on a more regular basis in future.

Fifthly, Big Data – and/or Predictive Analytics will become more widely used as hospitality companies begin to understand what they can get out of this area. It is of course where the OTAs have such a big advantage, as they actually use it and respond to customer enquiries and searches – and finally give them what they want. Cloud-based systems with the data already there and accessible will make this more affordable and understandable. “Predictive analytics allows companies to profile customers, and can be used to tailor the online experience to individual customer behaviours”.

And onto six: Marketing – or digital marketing – and technology will become more and more connected or integrated in hospitality – and revenue management will have to either lead or be part of this. A department called something like ‘commercial’ – which exists in some large companies in the US already – will start to emerge with marketing and revenue management combined within it. Sales may still be separate. More digital marketing systems linked to revenue management will become available.

At seven: Learning will become more digital. More digitally native. More bite-size. More video and animation-based. Accounting training – while remaining more traditional as per its professional qualifications will develop this way also. Revenue management will have to become more ‘qualification’ based – so that the industry can assess what a revenue manager has achieved so far. There has to be some kind of way to assess the level of a prospective candidate for a revenue management role after all this is quite a technical job.

Have a great 2016 and do let us know your views and predictions for 2016.

## World-renowned independent family distillers, William Grant & Sons, select Guestline's systems



**William Grant & Sons has selected Guestline to develop a property management system for its flagship Glenfiddich Distillery in Dufftown, Speyside.**

**T**he Glenfiddich Distillery is the home of the world's most awarded single malt Scotch whisky and owns a growing range of luxury accommodation and on-site cottages available exclusively for their guests and internal use.

Guestline's cloud hosted property management system, Rezlynx, alongside their Online Booking Manager and Conference and Banqueting Manager, will be implemented to enable the distillery to effectively manage the accommodation and tour bookings in a fully PCI compliant manner.

Peter van Peborgh-Gooch, William Grant & Sons General Manager - Visitor Centers said:

*"As a former manager of luxury hotels, I fully appreciate the value that property management software can bring to a business and made the decision to work with Guestline to install a database system suitable for our needs. Guestline's many years of experience has enabled its team to quickly tailor a system capable of dealing with our diverse portfolio of booking requirements."*

With ambitious growth plans and a vision to become the most coveted branded spirits company in the world, the Distillery's portfolio of 35 self-catering cottages are available for personnel to use when visiting. The Distillery also welcomes agencies, trade customers, partners, distributors, whisky collectors and media from all around the globe who can also be booked into the accommodation.

Guestline's Rezlynx PMS will allow the team to facilitate bookings and provide a clear overview of availability in real time.

The Distillery operate a whisky visitor centre, offer a variety of Distillery tours and also have a number of conference and banqueting facilities. Guestline's Conference and Banqueting tool will enable the group to effectively manage and organise these operations.

As accommodation is primarily available internally, the online booking manager will be customised and will only appear on the Distillery's Intranet. With plans to potentially offer the accommodation to the general public, William Grant & Sons are future proofing their investment to enable them to commercialise their operations.

Rupert Gutteridge – Sales and Marketing Director at Guestline said:

*"Rezlynx will assist staff at William Grant & Sons to successfully operate and manage their accommodation portfolio internally from anywhere in the world. The systems will enable the team to streamline operations and run reports to help them analyse and forecast bookings and revenue."*

For more information, please contact Guestline on [sales@guestline.com](mailto:sales@guestline.com).





**Chris Denison Smith**  
Director, FM Recruitment

## Leadership in 2016 - What does it take?

As a leader in the hospitality industry, do you have the right mindset to hit the ground running during the early months of 2016? Can you inspire your teams and take your business forward, achieving everything your business has asked of you this year? In this article we share five pearls of wisdom to help you in leading your hospitality business this year.

### Be ready for change

Do you have the right attitude towards change? A study by Gap International found that Mindset/Attitude was ranked as the most important attribute for the success of great business leaders by (34%) of executives.

We've all become accustomed to the quickening pace of change, and 2016 will be no exception. Most change comes from a combination of leaps in technology and people embracing opportunities to improve their lives wherever possible. In business, "best practice" is upgrading constantly. So it's no surprise that the experts all agree that avoiding, disliking or fearing change in your business is a waste of energy - possibly even destructive.

As a leader in hospitality, you'll be having to deal with fundamental changes in what customers want. But don't forget about the people within your business.

A report by Towers Watson, which looked at employees' perspectives of the companies they work for found that communication in an organisation going through change is considered 6% worse than in an average company. During periods of change, company image can plummet by a massive 14% and a feeling of empowerment can drop by 6%.

*"I think at the moment change is the key thing in the hospitality industry. There are two big drivers for that. The first is the economy. I think the whole issue of change and exploration is to find where the growth is and that's quite hard. But it's a time of great opportunity. Also in society, with a younger generation coming up who think so differently. I think hoteliers and other hospitality operators need to think very carefully about how they deliver accommodation into the market in the 21st century."*

- Ian Burleigh, Director, ICA

### Work with the younger generations

How well do you understand the younger generations in your business and amongst your market? Do you understand why they take a different approach to tasks? Opening up discussions about the business with your employees will engage people and may help you learn something. Why not even let them lead the discussions?

Keeping up with developments in technology can be strenuous - especially if you count yourself as a technophobe - but there are bound to be people under your nose, on your payroll, for whom this is as important as breathing! Connecting with digital natives in your business will help you understand the digital natives outside your business and improve the quality of the services you provide them.

Why not shake up the boardroom by inviting some younger faces in? Their new perspectives may challenge old unquestioned assumptions that could be holding your business back.

*"No business exists without a strong team, and then being brave enough to say, 'I don't know,' and start with a lot of questions or understanding. I literally just came out of a meeting about a subject matter that I had no clue about, and I spent the entire meeting asking questions."*

- Sean Worker, CEO, BridgeStreet

### Give your employees freedom

Do your employees feel confident to make the right decision when they need to, or are they too afraid to break the rules? Some rules will always be necessary. Having clear boundaries and instructions for escalating issues upwards is still important - but you can't control everything. Sometimes the most useful thing you can do is simply explain things thoroughly to your staff and make your business priorities or ethos clear.

It may be tempting to tell a staff member what they need to know to get the job done, but the more they understand why they are doing it, and what the end goal is, the more innovative they will be and the more initiative they will take - They will understand which rules bend and which rules break.

*"Meininger has grown from an internal point of view, we have a very good incentive scheme that means actually you can grow within Meininger. I think that's a very good way to encourage people to actually put a lot of effort in and increase their personal dedication."*

- Hannes Spanring, Managing Director, Meininger Hotels

## Create future leaders

Is it time to pay forward the opportunities you have had and pass on what you have learnt to your team?

A good leader will create a supportive working environment where lower level staff can develop leadership skills.

In DDI's Global Leadership Forecast 2014/2015, 70% of leaders say developmental assignments are most effective way to develop leadership. Allowing your staff to learn on the job, and increasing their responsibility over time, will build their skills and make their working life more rewarding. The report by DDI suggests that not having enough time or opportunity holds people back from growing as a leader.

So as a leader it is up to you to build a structure within the business that lets staff learn and progress and find a sense of excitement in what they are doing. Staff with good leadership skills will be able to execute their role more effectively and can keep control of the moving parts in the business that it is impossible to keep control of at top level.

*"One of the main things I think that leadership is based on, is knowing yourself, and having the self-confidence to come up with new ideas and present them properly. Learn to make it them fun and exciting because you need to sell your ideas to all kind of stakeholders."*

*- Susanne Stolte, President Board of Directors, Hotelschool, The Hague*

## Connect

Are you visible to the world and your team on social media? Richard Branson is a great example of a visible leader who has made an effort to put a friendly face forward to the world. He shows how a voice in the media is a voice that people can come to know. Barack Obama is known for his social media posts, and is particularly active on Twitter. He is recognised as having a strong social media strategy.

But you don't have to be a business celebrity or the leader of a superpower to be effective online. As a leader in 2016, people

are likely to be looking for you online. So make sure you put your best foot forward on any profile you set up, use a good photo, keep information up to date and think carefully about what you are posting to the world. Where possible posts should be in your voice, and shouldn't sound too corporate or like an advert.

Communicating on digital channels in the right way will make you a present and accessible human being - and as a leader, that's a good start!

*"A hotelier is a different person now, in the era in which I came into the business, a hotelier was someone that stood in reception and met people, and you know that's not the key requirement for a general manager now. Now it's about driving revenue, it's about understanding how revenue management works, understanding how the sales process works, the ability to use software, apps, the ability to react to online comments, which is by definition a younger persons game, I think."*

*- Clive Hillier, Chairman, Vision Hospitality Asset Management*

## Step out of the boardroom

Being a leader has always and will always come with a lot of demands. You have to take care of your people, your customers, your operations, and your profits at the same time. But the best advice for leadership today is to step out from behind your desk be present in your business and find out who and what can help you make your business grow.

Jillian Malone is a regular contributor to HOSPA, and a Director at FM Recruitment, a business which has focussed for over 30 years exclusively on accounting and financial management in the hospitality sector. Serving clients and candidates throughout the UK and International markets, we source talented people for Finance, IT, Procurement, Asset Management, Professional Consultancy and Analysts. [www.fmrecruitment.co.uk](http://www.fmrecruitment.co.uk)



# Hospitality 'Finance, Revenue Management and IT Professionals of the Year' named and honoured at Annual HOSPA Christmas Awards 2015.

Principal Hayley wins '2015 HOSPA Professional Development Employer of the Year'.  
HOSPA 2015 Hospitality Financial Management and Revenue Management  
'Outstanding Learner of the Year' awards also announced.

The winners of the prestigious Annual 'Hospitality Finance, Revenue Management and IT Awards of the Year 2015' were announced in London by HOSPA

At the 2015 HOSPA Annual Christmas Awards Luncheon - held in the capital at The Marriott Hotel, Grosvenor Square - the winners of the major HOSPA '2015 Hospitality Professionals Awards'; the '2015 HOSPA Professional Development Employer of the Year'; and the '2015 HOSPA Outstanding Learner of the Year Awards', were honoured. In addition, the highest achieving 2015 HOSPA Education and Training Programme (ETP) learners in Financial Management and Revenue Management, which were announced in November, were presented with their cash prizes and certificates.

## HOSPA Hospitality Professionals Award Winners 2015

'HOSPA Hospitality Finance Professional 2015', sponsored by BDO, was awarded to Roberto Amodei, Area Director of Finance UK and Ireland, Hyatt Hotels Corporation.

'HOSPA Hospitality Revenue Management Professional 2015', sponsored by IDEaS, was presented to Paula Daly, Revenue Team Manager, Malmaison & Hotel du Vin.

'HOSPA Hospitality IT Professional 2015', sponsored by FourteenIP, was won by Peter Anderson, Group Technical Director, Soho House and Co.

All recipients of engraved crystal trophies and certificates.

## HOSPA Professional Development Employer of the Year 2015

Was won by Principal Hayley, in recognition of outstanding commitment in promoting and developing Financial Management and Revenue Management education in the hospitality industry.

Principal Hayley (PH) was delighted to have received the prestigious award. Gail Hunter, Principal Hayley's Group Human Relations Director, said: "Our training strategy supports the development of colleagues at all levels of the business - we aim to provide our colleagues with the appropriate skills and knowledge to achieve excellence in their role. HOSPA is our preferred training provider as they provide us with professional training and qualifications to support our in-house training. Finance and Revenue management are essential disciplines to a successful business, and PH Hotels recognise this by investing in our teams. There are tremendous benefits for both our business and our colleagues - by way of professional career development and progression, and colleague engagement."



Katie Hincks and Craig Jones of Principal Hayley receiving their award

## HOSPA 'Outstanding Learner of the Year Award' winners 2015 for the Association's Education and Training Programmes (ETP) in Financial Management, and Revenue Management

'HOSPA Outstanding Learner of the Year in Financial Management 2015' - based on HOSPA Education and Training Programme (ETP) combined course work and examination results, recorded in the 2015 Financial Management Education programmes - was presented to Alan Eaton, Financial Controller, Eynsham Hall Hotel at Witney, Oxfordshire, who achieved the highest result overall.

'HOSPA Outstanding Learner of the Year in Revenue Management 2015' - based on HOSPA Education and Training Programme (ETP) combined course work and examination results, recorded in the 2015 Revenue Management Education programmes - was won by Stephanie Carvell, Group Revenue Support Manager, Bespoke Hotels, who achieved the highest result overall.

Both winners received a crystal trophy and a Connect 8 inch Tablet with Windows 10, plus Word, Excel, and PowerPoint Mobile included. Both also won a cash prize and certificate for best performance in the March 2015 HOSPA ETP examinations.

In addition, the 2015 Hospitality Financial Management and Revenue Management ETP highest achieving learners, announced by HOSPA in November, were presented with their certificates and cash prizes. The winners were the learners who





(left to right) Pankaj Khanna, Marisa Palmero, Alan Eaton, Sam Willetts, Debra Adams (HOSPA)

achieved the highest HOSPA ETP scores, based on their results in each of the HOSPA examination categories for the Financial Management and Revenue Management training programmes, completed in March 2015 and September 2015.

Commenting on the winning HOSPA ETP learners, Debra Adams, Head of HOSPA Professional Development, said:

*"Special congratulations must go to our two 'Outstanding Learners of the Year 2015', Alan Eaton and Stephanie Carvell, for their magnificent results and commitment to their studies. Also special mention should be given to Sam Willetts, who was the highest achieving learner in two HOSPA Financial Management ETP categories."*

*We have been delighted to welcome so many new learners to HOSPA's Education and Training Programmes during 2015. The standard of achievement has been very high and we congratulate all our learners, who have successfully completed each stage of their studies during 2015. We are very proud of our prize winners who have demonstrated outstanding commitment to their careers, combining study with demanding full-time roles in the hotel and restaurant industry. Their fine achievements in the vitally important disciplines of Financial Management and Revenue Management will significantly enhance their careers and help their employers meet even more effectively today's ever changing management challenges."*

The HOSPA Education and Training Programme (ETP) in Financial Management is the entry route to Associate membership of HOSPA for finance personnel in the industry. The programme provides professional development for hospitality accounting professionals wishing to gain additional

#### Completing in September 2015, the prize winners were:

##### HOSPA Financial Management Education and Training Programme

<b>Stage 1: Introduction to Financial Accounting</b>	<b>Alan Eaton</b> Financial controller Eynsham Hall Hotel, Witney, Oxfordshire
<b>Stage 2: Operational Management Accounting</b>	<b>Sam Willetts</b> Transaction Management Assistant Jurys Inn, Birmingham
<b>Stage 3: Strategic Management Accounting</b>	<b>Eva Stranakova</b> Accounts Department Hotel Imperial, Vienna, Austria

##### HOSPA Revenue Management Education and Training Programme

<b>Stage 1: Introduction to Revenue Management</b>	<b>Pankaj Khanna</b> Value Centre General Manager Thistle, London Heathrow Terminal 5
<b>Stage 2: Operational Revenue Management</b>	<b>Zena Carter</b> Revenue Manager Farncombe Estate Holdings Ltd.
<b>Stage 3: Strategic Revenue Management</b>	<b>Rosalyn Qemalja</b> Conference and Events Sales Manager Double Tree by Hilton Hotel, Nottingham-Gateway

#### Completing in March 2015, the prize winners were:

##### HOSPA Financial Management Education and Training Programme

<b>Stage 1: Introduction to Financial Accounting</b>	<b>Sam Willetts</b> Transaction Management Assistant Jurys Inn, Birmingham
<b>Stage 2: Operational Management Accounting</b>	<b>Olivier Wentzke</b> Senior Finance Assistant Mandarin Oriental, Hyde Park, London
<b>Stage 3: Strategic Management Accounting</b>	<b>Nina Fleischle</b> Assistant Director of Finance, Sheraton Zurich Hotel, Switzerland

##### HOSPA Revenue Management Education and Training Programme

<b>Stage 1: Introduction to Revenue Management</b>	<b>Stephanie Carvell</b> Group Revenue Support Manager Bespoke Hotels
<b>Stage 2: Operational Revenue Management</b>	<b>Marisa Palmero</b> Cluster Revenue Executive Malmaison and Hotel du Vin



skills and the knowledge required to manage hospitality finance divisions, or gain an understanding of the accounting function of a hospitality unit. The three-stage 'blended learning' programme, studied over three 6-month periods, provides the flexibility for accounts personnel to fit their learning around their busy working day.

In 2011, HOSPA introduced a hospitality focused ETP in Revenue Management. Written by leading educators in Revenue Management in the hospitality sector, in conjunction with leading industry experts, the course is designed to provide Revenue

Managers of the future with the skills and knowledge required to manage their divisions, as well as to provide non-revenue personnel with a detailed knowledge of the function within a hospitality property.

Enrolment for the next intake in March 2016 - for both the Financial Management and Revenue Management programmes - is currently open. Both courses are studied in three separate Stages, each at a cost of £750 (ex VAT). For further information, visit: [www.hospa.org/education](http://www.hospa.org/education); or email: [education@hospa.org](mailto:education@hospa.org)

## Winner Profiles

### HOSPA Revenue Management Learner of the Year 2015

**Awarded to Stephanie Carvell who works as Group Revenue Support Manager for Bespoke Hotels.**

A two-week work placement experience at the age of 15 in a hotel restaurant and housekeeping, led to a part-time job as a General Assistant with the Bedford Lodge Hotel in Newmarket. There Steph worked in all departments before deciding to pursue a degree in Hospitality Management from the University of Plymouth in 2001.

After university Steph worked in F&B related management roles in high street and branded restaurants as well as with Centre Parcs. However, she missed the all-round environment of hotels and so took a position as Operations Manager in a hotel working her way up to General Manager. After several years she came to the conclusion that she preferred the rooms division and rate manipulation/management side as opposed to F&B management, as this was more influential in the business and when the new role within Bespoke came up she immediately applied, knowing it was a role she could develop.

Steph says that the course has helped her get a better understanding of what she was already doing and why, but has also allowed her to be understood and listened to. In addition it has helped her with running team training within the hotel group and being able to clearly pass on information she has learnt to reception, reservations and revenue teams to help with their development.

As to the future, Steph says:



*"I hope to continue to develop and learn and share that knowledge to develop others (and eventually be able to complete the next stage of the HOSPA qualification when time allows). I also hope to progress within my company and continue to grow my role, as revenue management becomes more and more important in the hotel industry and day to day management."*

### HOSPA Financial Management Learner of the Year 2015

**Awarded to Alan Eaton who works as Financial Controller at Eynsham Hall Hotel.**

Eynsham Hall is an early 1900's building set in 40 acres, just outside Oxford, with 120 bedrooms and 20 conference rooms located in four buildings. It also has a leisure club with 500 members. It's an independent, self-accounting hotel, although is part of Cathedral Hotels, who have one other property in East Sussex.



Alan's foray into hospitality began when he went to school in Devon with a view to entering the Navy, possibly in the catering arm. However instead, after leaving early, he attended Gloucester Arts & Technology College in Cheltenham, studying the TEC OND & BTEC HND in Catering over four years.

Whilst studying at college he worked in a local pub and restaurant and ended up running the restaurant as he was too young to serve in the bar! He continued working in hospitality for the next 25 years, working in various management roles for several companies from the Isle of Wight to Gloucester, many of which were spent working within Lansbury Hotels (aka Whitbread Coaching Inns) which he joined in 1988.

Alan said he had been considering studying a finance qualification for a while but was concerned that with a long commute and two young daughters he would find it hard to find the time to commit to the study. His colleagues studying CIMA reported that they studied each evening and most weekends, which didn't appeal. He settled on the HOSPA Financial Management Programme as, although he had a good background in the industry, his technical knowledge was weak and he was conscious that he needed to improve this as the role is changing, not just at Eynsham Hall but in industry in general. He therefore needed something he could benchmark himself against and, thinking about furthering his career, having a qualification behind him would be beneficial.

## Gravetye Manor's Michelin-starred restaurant utilise Guestline EPoS



**Guestline are delighted to announce that award winning Gravetye Manor has installed Guestline's full suite of property management and distribution solutions including Rezlynx PMS and EPoS in the hotel and their Michelin-starred restaurant.**

**G**ravetye Manor required a fully integrated solution that would handle all front of house operations and channel exposure alongside a sophisticated EPoS system. Recently the hotel's restaurant has become the proud recipient of a Michelin star. The restaurant uses Guestline's EPoS to seamlessly connect the kitchen with the front of house team and effectively manage multiple orders from the restaurant, banqueting and wedding functions.

Andrew Thomason - Managing Director at Gravetye Manor said:

*'We are delighted with the way Guestline's systems have helped us improve our performance. Our new EPoS system streamlines operations and customer service enhancing the overall guest experience and the service we provide to customers. The CRM capabilities in particular have meant we are better able to communicate with our clients. This has helped increase bookings as well as enhance customer satisfaction which is a key performance target of ours.'*

Guestline EPoS has multiple features including product multiple operator till use, remote order printing, kitchen messaging and

stock control capability. As a sophisticated, intuitive, touch-screen point of sales system, it also integrates seamlessly into the hotel's PMS eliminating the risk of lost revenue. With the EPoS being iPad/Android mobile enabled the hotel can take advantage of remote ordering during busier periods.

Commenting on the new Michelin star, the hotel's Head Chef George Blogg added:

*"I am very proud of every member of the Gravetye team and this accolade is testament to the effort we have all put in. I am also extremely grateful for the support from our owners and managing director, who have all shown great faith in me and ultimately given us the platform to make this possible."*

Gravetye Manor has 17 bedrooms and suites located in East Grinstead, Sussex. Built in 1598 the hotel has character and history offering a relaxed and historical atmosphere.

For more information on Guestline's systems, visit: [www.guestline.com](http://www.guestline.com)

## The tip of an iceberg



### Howard Field asks whether it is time to take a radical stance on service charges?

In 2009, the department of Business, Innovations and Skills (BIS) issued a guide called *The National Minimum Wage: A Code of Best Practice on Service Charges, Tips, Gratuities and Cover Charges*. In 2015, the BIS initiated a survey entitled *Tips, gratuities, cover and service charges: call for evidence* which coincided with media and union attention. The survey refers to areas covered by the earlier publication and seeks to identify current practices and gain opinions, but the scale and nature of the responses have yet to be disclosed. This is unfortunate because this is a subject that is not going to go away. The fact is that there is no standard practice in the UK as to how tips and service charges are handled.

The situation has become so complex that considerable confusion exists. Even the BIS seems to have been confused. It is difficult to understand, for example, how cover charges became to be included in this investigation. In general, a cover charge covers items such as bread or olives provided on the table by the restaurant; sometimes it might relate to the napkin or linen used; in a bar or night club, it could be the entry charge. But no cover charge made by a business is intended to be shared with the staff of the business or to form part of their wages, and it is totally misleading to confuse this with a tip or a service charge.

### Why is this such a hot subject and how does it affect the hospitality industry?

In 2016, the hospitality industry faces the impacts of the increase in the National Minimum Wage that took effect in October 2015 and the forthcoming introduction of the National Living Wage in April 2016; for London businesses, there is also the consideration of the London Living Wage to which some employers have already signed up. These minimum rates will continue to increase, as will the related costs of Workplace Pension contributions, and holiday and other earnings-related benefits. From April 2017 a 0.5% Apprenticeship Levy is to apply to the largest employers (this levy is also the subject of

a 2015 BIS consultation which, it is hoped, will provide further details of how it aims to benefit the businesses involved.) On top of these increased legislated costs will come the increase in wages of those higher up the scale – the so-called differential wage rises.

These increased costs make it particularly important to understand the special issues affecting the sector's practices concerning tips and service charges and how they are seen by employees and the public, and by visitors to the UK. Influencing what happens are complex taxation rules that add to the currently confused situation; they need to be understood to fully appreciate the challenges faced when attempting to develop improvements.

### Tips, gratuities, service and cover charges - aren't they all the same thing?

No. Cover charges can be discounted as a commercial charge that has no direct bearing on staff wages, tips or service charges.

A tip (or gratuity) arises when a customer wishes to reward the staff involved in providing a service over and above the charge stated on his bill. Paid by cash, or by addition to a cheque or adding an amount to the bill that is charged to a credit or debit card (or a room or credit account at the hotel or restaurant), this is an amount decided on by the customer and intended to go to the staff involved. Whether a tip is given is entirely at the volition of the customer.

A service charge is entirely different. It is made when the menu or tariff list states that a charge will be added to the total amount of the bill when it is presented to the customer; it is commonly 10 per cent of food and beverage bills but can be as high as 15 per cent. Service charge on a room account, mainly found in 5 star hotels, is rarely above five per cent. The amount charged is determined by the establishment and the revenue



raised by it is legally owned by the business. It is under no legal obligation to pass all or any of it on to the staff, despite the perception in the customer's mind that the service charge belongs and goes directly to the staff. The service charge is often called discretionary but few customers challenge the payment and most believe it is a useful and easy way to overcome the awkwardness of deciding how much to leave as a tip – one reason for its widespread use.

Despite the fact that tips and service charges are entirely separate issues, both the minimum wage legislation and the BIS department's Best Practice Guide lump cover charges, tips and service charges together thus perpetuating the confusion over their nature and how they are perceived by the various parties affected by their existence. The law and UK taxation rules add to this muddle.

## The legal and tax positions and their consequences

The basic legal principles that apply are:

- Service charges belong to the business. There is no legal obligation for a hospitality business to distribute any of the revenue raised by service charge to the staff.
- Tips added by customers to cheques or bills (and therefore not paid in cash at the time) belong to the business.
- Tips paid in cash and given directly to the staff belong to the staff.

Whether or not tips or service charge are received by the staff collectively or individually - and whether or not staff share in any collective arrangements - there is no standard procedure in the UK for distributing the revenues collected by the service charge. In some businesses tips are retained by the individual staff receiving them; in some they are shared only between service staff; in others kitchen, supervisors and management may also be included.

The systems for collecting and distributing these amounts have significant tax consequences affecting the customer, the staff and the business. Generally accepted financial accounting practice (GAAP) in the UK does not focus specifically on these categories of receipts. In the hotel sector, there is a widely accepted international management accounting standard called the Uniform System of Accounts for the Lodging Industry (USALI). The most recent edition of this (published in 2014) provides for service charges to be treated as part of the revenue and any distribution to be treated as part of the labour cost of the operation. Implementation of this standard is not universal, however, and has implications related to definitions of revenue for the purposes of commercial contracts such as hotel management and franchise agreements.

If a service charge is imposed it must be stated on menus, bar and room or other tariffs. Generally, service charges are applied as a percentage of the relevant bill totals. Describing the service charge as discretionary, allowing the customer to opt not to pay it, renders it free of VAT. If the bill total includes VAT at 20%, a 10% service charge or tip is therefore equivalent to 12% of the price charged on the bill before VAT. Tips or gratuities voluntarily paid or added to cheques or bills by the customer, normally as a percentage of the bill total, are also not subject to VAT.

Cash tips or gratuities received by the staff directly from customers are taxable as part of their incomes. If retained

personally, each staff member is liable to declare the amount received for tax purposes. A formalised sharing system that is controlled by the employees and registered with HM Revenue and Customs, known as a 'tronc', requires a designated person to operate a payroll which reports payments and applies PAYE income tax. No liability for employee (or employer) National Insurance or pension scheme costs applies to these forms of payment. The tronc arrangement is one specifically applied by HMRC to the hospitality industry and requires schemes to apply strict procedures that impact employment contracts and management practices.

Tips added by customers to their bill and any service charge amounts that are distributed and controlled by the business as part of the employer's payroll will be liable both for PAYE income tax and employer and employee National Insurance and Workplace Pension contributions. However, if the distributions are made and controlled via a staff managed tronc scheme (as described above), they will not be liable to National Insurance or Workplace Pension costs. These represent considerable savings for both the staff and their employer (currently circa 13% and 15% respectively of the relevant payments).

The tax laws relating to liabilities for NI and pension contributions on tip and service charge amounts distributed to staff have greatly influenced many of the hospitality industry's current practices. Those businesses where a tronc system has been set up often provide assistance in carrying out the payroll processing and reporting for the tronc. In this case, although the amounts paid to staff receiving them are visible to the business management, they will not be in control of the distribution as the amount given to each member of staff will be decided by the tronc master, not the management.

The 2009 BIS Best Practice Guide allowed businesses to make reasonable deductions for the costs incurred in the administration of the collection and distribution of service charge - typically ranging from 5% to 20%. The unions in particular are pressing for no deductions to be allowed and this appears to be a key issue to be addressed by the results of the BIS 2015 survey.

The separation of the handling of tronc payments adds challenges for the management to be able to establish appropriate pay structures and other related employment terms. There are also impacts on pay elements such as holiday and sick pay, incentive schemes and benefit programmes.

## How are these legal and tax consequences reflected in the minimum wage legislation?

UK wages legislation simply requires employers to prove that they are paying at least the statutory minimum wages out of the income of the business before accounting for any tips or service paid out. This creates considerable pitfalls and pressures on an industry that is expected to comply with the same wage legalisation as every other sector, but is then restricted as to how it can use revenues that legally belong to the business to meet these liabilities.

## What are the main issues that need to be addressed by those involved in these subjects?

- The legislation regarding minimum wages requires hospitality businesses to pay the statutory minimums via their payroll, and that these must not include any revenue

from tips or service charges. Increases to the minimum wage rates, pension and related charges will have to be met by other means such as reducing working hours or reducing employee numbers. Increasing basic selling prices and reducing the rate of or eliminating service charge altogether are also options.

- The industry is currently involved in lobbying for the VAT rate for accommodation and tourist attractions to be lowered from 20% to 5% to make the UK tourism industry more competitive. Although there is understood to be a growing number of supporting MPs, the Treasury is known to be resisting any VAT rate reductions. Reducing the VAT rate for the hospitality industry would provide some flexibility towards adjusting prices as partial compensation for the additional labour costs.
- HMRC is in the process of reviewing the possibility of merging income tax and National Insurance contributions and the hospitality industry has lobbied for the special treatment of tronc not to be affected. As shown above, the negative effects on both staff and businesses of having to pay National Insurance, pension and other costs on distributions of service charge via tronc are substantial.
- The various VAT and employment tax consequences add complications to the challenge of establishing wage structures more appropriate for the UK's 21st century hospitality businesses. There needs to be consideration of how a balance of taxation changes could be made that contribute to the various objectives of transparency, competitiveness and fairness.
- Best practice as promoted by the BIS department requires transparency as to how tips and service charges are applied and handled. With the current complexities as described, and no accepted industry standard practices, providing explanations that are understandable to

customers and staff, especially to any who do not speak English, is almost impossible.

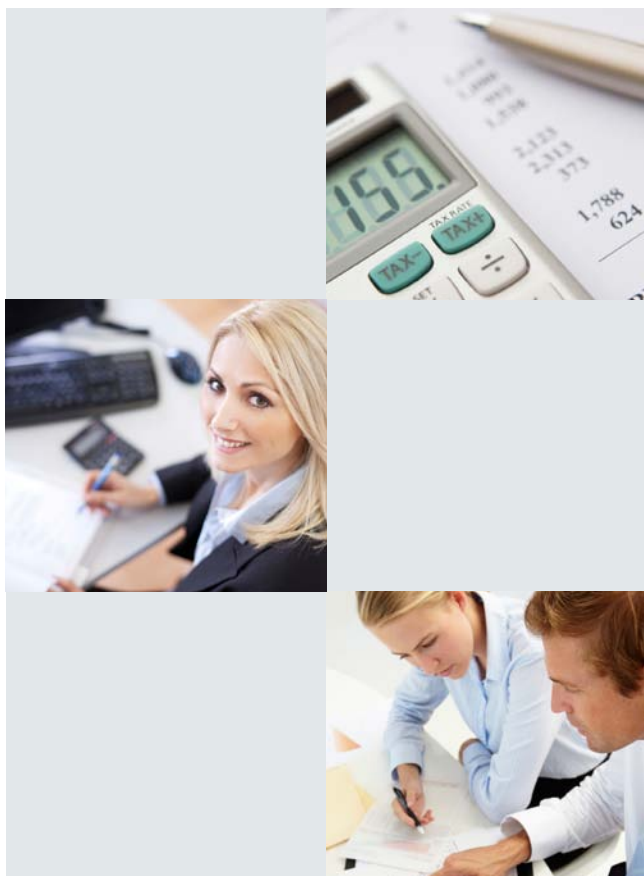
## How can these issues be resolved?

The interests of the public (pricing transparency, tipping conventions and international competitiveness), employees and employers (National Insurance, pension and pay related elements), HMRC (PAYE, NI and minimum wage legislation) and the Treasury (VAT and income tax receipts) must all be considered if any progress is to be made.

The BIS initiatives may be a good place to start, so that fundamental changes in the legislation and practices to produce standards for the UK hospitality industry that are practicable, fair and acceptable to all parties can be developed by cooperation with the relevant government departments, business, employee and consumer representative organisations. The BIS survey questionnaire as published did not adequately cover the full range of issues. Further research will be essential if proper evidence based decisions are to be made.

One solution would be for the industry to abandon the imposition of a separate service charge entirely (as largely is the case in continental Europe) and to make tipping unnecessary. Already, several restaurant groups have publicly stated they are abolishing service charges - and adjusting wage rates up to and beyond the new statutory minimums. The present BIS survey does not give us the opportunity to consider this option. It would certainly need a determined government and industry-wide effort to introduce and implement it, but it would also be a final solution to the dilemma that has dogged the industry for well over a century.

Howard Field is HOSPA Founder Member, Hon Fellow and member of the HOSPA Finance Committee.



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## Heathrow decision delayed

Attendees to HOSPACE 2015 last month will have found themselves delayed by protestors at Heathrow, objecting to a potential new runway at the airport. Delay seems to be the ongoing theme of the expansion of the UK's airport capacity, with the government postponing a decision until the summer.

**D**avid Cameron had previously indicated there would be a final decision before the end of 2015, after the Airports Commission led by Howard Davies recommended a third runway at Heathrow.

The government has now said that further research on the environmental impact was needed.

Patrick McLoughlin, the environment secretary, said:

*"The case for aviation expansion is clear but it's vitally important we get the decision right so that it will benefit generations to come. We will undertake more work on environmental impacts, including air quality, noise and carbon."*

*"We must develop the best possible package of measures to mitigate the impacts on local people. We will continue work on all the shortlisted locations, so that the timetable for more capacity set out by Sir Howard is met. At the first opportunity I will make a statement to the house to make clear our plans."*

Ufi Ibrahim, CEO of the BHA, responded:

*"It is illogical that on one hand the government states commitment to an ambitious programme to increase UK exports by 2020, and on the other hand it delays the most important decision needed to drive exports to the UK. The success of the government's own Great campaign relies heavily on the timely expansion of aviation capacity."*

*Therefore it seems incongruous to channel increased funds into promoting exports if we aren't going to have the green light on facilitating that growth through our main airports to the UK. Ours is an international industry, representing the UK to visitors and investors from across the world. Our government stalling on such an important decision sends the wrong message to our export markets and damages the sustainable livelihood of our businesses, particularly our SMEs reliant on our international aviation hub for traffic across all of Britain."*





# The OTA duopoly: Priceline vs Expedia

By Frederic Gonzalo

Online Travel Agencies, better known as OTA, have been around for almost 20 years, so we really shouldn't treat them as a novelty by now. Expedia was launched back in 1996 while Priceline was founded in 1997. In the earlier days, OTA were seen as a convenient distribution channel where hotels and airlines could sell extra inventory. This was particularly true after the events surrounding 9-11 when the industry was focusing on security issues and improving the customer experience across the board, investing in new properties with five to ten-year programs meant to upgrade facilities. Online distribution was not really a priority, then.

Fast forward and the relationship between hotels and OTA has gone somewhat sour. Why is that? In a competitive hospitality landscape, hoteliers must fight on a variety of levels, from customer experience where free wifi, hearty breakfast and quality room amenities are expected, to convenient location and, of course, best possible rates. In a context where RevPAR (revenue per available room) is a mantra indicator that requires constant optimisation, hoteliers turn to reducing costs to increase their profitability. And that's just the thing: commission levels paid out to OTA are high, between 15-30%, and their share of online sales is increasing year over year!

## The illusion of choice

Anyone not familiar with the online travel landscape may be under the impression there are tens, if not hundreds of websites to choose from to book a flight, hotel or restaurant, right? Wrong. By the end of 2014, it was already clear we were basically in

a duopoly position, where two groups are battling it out for dominance in this realm: Expedia vs Priceline.

Dominant in Europe and Asia, Priceline is the OTA that holds the biggest market capitalisation, at 64 billion dollars. Besides its well-known Priceline brand, and its equally famous tagline "Name Your Own Price", it also owns Booking.com, Agoda, Kayak and OpenTable among others. Like a classic OTA, it offers booking possibilities for everything from hotels to flights, cars, cruises and vacation packages, for individuals and groups alike.

At the other end of the ring is Expedia. Once the leader of the online distribution field, Expedia has seen its position erode in the past few years, but its financials remain strong. With its recent acquisition of competitors Travelocity (\$280m) and Orbitz (\$1.6bn), Expedia is now back on top, at least in terms of worldwide revenues, with almost \$2bn in 2014. It is also estimated to now hold 75% market share among US online travel agencies, according to PhoCusWright!

For big hotel brands and major airlines, negotiating with these two majors is happening on a near-equal playing field. But for independent hotels, it's a whole different story since Expedia and Priceline invest massive amounts of dollars in marketing campaigns, both offline with mainstream media (TV, billboards) and online through savvy remarketing and AdWords, dwarfing efforts made by mom and pop inns and lodging.

Okay, so there is an illusion of choice for consumers – they get

to choose from so many different websites... with inventory controlled in all likelihood by one of the two big OTA – and not much space to choose from for hoteliers, in particular the smaller players. So what's the problem?

One of the biggest threats is certainly the dependence from hoteliers with OTA, as their share of the online distribution channel grows continuously. OTAs invest massively on buying keywords to get travellers to shop on their websites, but also showcasing leading-edge user experience, from smartphone to tablet to desktop. Expedia's My Scratchpad feature encompasses this newer trend where online travellers move from one device to another throughout their purchase funnel, making it easy to remember which hotel, airline or attraction to consider. In the meantime, many hoteliers are still struggling to get their websites right, let alone transactional or mobile optimised....

In other words, for independent hoteliers, it's becoming increasingly difficult NOT to be integrated in OTA, if you want to compete on the same level, specially in urban cities. And once you get into this game, it gets even more difficult to get out, with increasing shares of revenues from this distribution channel. Thus the need for savvy yield management across channels.

In a recent report by TravelClick, looking at Q4 results in 2014 for North American hotels, the agency noted that the OTA channel had the strongest growth year-over-year (compared to Q4 2013), with 12.7% jump in bookings. So if OTA are taking a bigger piece of the online pie, and there is less competition with a de facto duopoly, will it eventually mean higher commissions for hoteliers, airlines and other industry players who rely on this distribution channel and have little negotiation power?

Not so fast. There are many other players in the online distribution landscape, including TripAdvisor which is becoming less of a review site, and more an integrated booking solution for everything related to the travel experience: hotels, restaurants, vacation rentals, attractions, etc. Hence, its new "Plan.Compare.Book" advertising campaign, meant to get consumers to not only check out TripAdvisor for its comparing features, but also to book directly on its platform.

And then there is Google. Will it ever launch a direct-to-consumer travel solution, as many industry experts have been predicting ever since it bought the ITA software, back in 2010? Flight Search and Hotel Finder are both available but haven't gained the kind of traction that would worry the OTAs at this stage. Yet. But we are seeing clear signs leading to think there may be more at play, in particular with mobile search and bookings growing so fast.

So while the OTA scene has become a mere duopoly, it doesn't necessarily mean there is less choice for airlines and hotels. It does mean, however, that travel brands must realign their online strategies and tactics to make sure they make the most of their owned media before relying too much on external sources such as online travel agencies, TripAdvisor or Google, among others.

#### About the author

Frederic Gonzalo is passionate about marketing and communications, with over 19 years of experience in the travel and tourism sphere. Early 2012, he launched Gonzo Marketing and works as a strategic marketing consultant, professional speaker and trainer in the use of new technologies (web, social media, mobile). Reach him at [frederic@gonzomarketing.biz](mailto:frederic@gonzomarketing.biz).

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## HOSPA



New for 2016, HOSPA is offering the 'Asset Management, Hotel Valuations and Capital Budgeting' course for those involved in the management of hotel assets wishing to enhance their knowledge of tools and techniques for valuing hospitality businesses, developing financing strategies, reviewing management contracts and franchise arrangements as well as benchmarking, KPI's and capital investment appraisal techniques.

Divided into four key topic areas, the course covers:

- Hotel Asset Management strategies
- Project evaluation techniques including NPV, IRR and WACC
- Business valuation techniques
- Cost of capital and sensitivity analysis

'Most of the companies in the world's top 10 largest hotel groups franchise or manage their hotel stock and liaise with owners to ensure the property delivers the required return on investment whilst increasing the asset value. A recent report from HVS, published in early January 2016, forecasts that there will be continuing robust demand for hotel acquisitions in the year ahead, encouraging private equity investors to dispose of their assets and this will be coupled with continued consolidation amongst the branded hotel chains.

This activity places additional pressure on asset managers to continually evaluate projects and calculate the business valuation. Our course focuses on demonstrating the techniques that can be used to gain insight from existing and forecasted data' explains Debra Adams from the HOSPA Professional Development team.

**Course date:** 11th February 2016

**What does it cost?** This one-day course is priced at £300 + VAT per delegate and includes lunch and course notes, plus 14 days access to the online classroom. The course runs from 9.30am until 4.30pm.

**Location?** The Apex Hotel, 1 Seething Lane, London EC3N 4AX

**How do I register?** To register your place at this event, please email [education@hospa.org](mailto:education@hospa.org) or call the Professional Development team on +44 (0)1202 889430

# Lack of digital leadership costs businesses



**Only 6% of the world's top 1500 companies have appointed a chief digital officer to oversee the digital transformation of their business, according to a new study from PwC's strategy consulting business, Strategy&.**

**T**he 2015 Chief Digital Officer Study examined the world's top 1500 public and private companies by revenue to determine how many have appointed a chief digital officer to plan and oversee the organisation's digital transformation.

The numbers of CDOs are increasing, with UK companies leading the field, however the Strategy& report warns that most organisations are still not embracing the chief digital officer quickly enough, despite the huge focus on digitisation. The report findings include:

- Larger companies are ahead of the curve in appointing CDOs. The proportion of companies with more than 10,000 employees that have appointed CDOs hovers between 5% and 9%, but falls to 1 - 3% for companies with fewer employees;
- Consumer oriented companies including media and entertainment (13%), food and beverage (11%), and consumer products (9%) are most likely to have a CDO in place;
- European companies are hiring CDOs at faster rates than companies elsewhere: 13% in Europe versus 7% in North America, 5% in South and Latin America, 3% in Asia-Pacific and 2% in the Middle East and Africa.

Of the 86 CDOs the study identified, 31 were appointed just last year, suggesting a realisation amongst top companies that a dedicated digital leader is needed to drive and transform the business into a fully digital enterprise.

Ashley Unwin, head of UK and EMEA Consulting at PwC, says that in a digital world, organisations need to ask themselves why they wouldn't have a CDO.

*"Whilst we haven't yet witnessed the rise of a European Google, it is encouraging to see major European businesses lead the way in creating senior roles solely focused on digital transformation."*

*Ultimately, the goal of every chief digital officer is to ingrain a digital agenda so deeply into the organisation that it becomes the way of life for everyone.*

*Once digitisation is firmly entrenched in the companies' everyday operations, the question then becomes whether the role is needed anymore – but that day is still a long way off."*

For companies that have appointed a chief digital officer, over 80% have been hired since 2012 and 40% are members of the C-suite (having the designation of "chief officer"). The study says that this suggests the role of the C-suite is being redefined, with many CDOs coming from a variety of backgrounds, the most common being marketing (34%), followed by sales (17%) and technology (14%).

*"The chief digital officer role is new and relatively undefined, coming about under very different circumstances than other C-level positions like the CIO and the CMO," says Martin Roets, a London-based principal at Strategy&.*

*The CDO's job is to steer the company through an era of mass disruption in every aspect of its external relationships and internal operations.*

*This is an immense challenge, but as the roles become more defined and successes emerge, the concept of the CDO will move rapidly from the large global undertakings to the SME sector."*

Since a digital leader's role is by definition transformational, CDOs who can adapt to their rapidly changing circumstances



while staying tightly aligned to their company's business goals will be best positioned to succeed.

Ashley Unwin warns that companies, regardless of size, must develop and implement a cohesive digital approach that aligns their current position and future strategy in a way that provides real value to the customer.

*"Companies competing internationally must do more than simply align technology with existing business goals. Digital is all encompassing and has the power to transform every aspect of the business, including the business goals themselves."*

*"So it's incumbent on companies to appoint CDOs who proactively help to drive the creation of business strategy - and lead that process if necessary."*

*"Consequently, successful CDOs will be a source of significant competitive advantage for European business as they drive change and lead innovation."*

Earlier in the year PwC warned that UK firms were under-investing in digital when compared globally; only 10% spend >15% of revenue on digital compared with 31% of overseas companies

- Majority of UK respondents point to a skills shortage in digital expertise
- Lack of clarity and alignment of digital roles and responsibilities within companies appears to be a barrier to progress for UK firms

UK companies are trailing behind their overseas counterparts when it comes to digital investment, as new analysis by PwC reveals a more cautious approach to digital spending plans compared to companies overseas as well as a "follower" mentality when it comes to innovation.

The UK findings of the 2015 Global PwC Digital IQ Survey revealed that companies are struggling to correlate digital investment with financial growth, while a majority of respondents point to a skills shortage in digital expertise as one of the main barriers to progress.

The 7th annual Digital IQ Survey of almost 2,000 business and IT executives from across 51 countries sets out to explore how well companies understand the value of technology to drive business. Analysis of the UK data reveals sharp contrasts between companies in the United Kingdom and other nations.

## Digital spend

UK companies appear to be investing less on digital than their global counterparts with only 10% of local firms spending more than 15% of revenue on digital investments compared with 31% of firms globally. In the US, the number stands at 35% of companies, 24% in Australia, 41% in China and 32% in Germany.

The lack of investment appetite by UK firms may be because only a minority of companies see a link between spending on digital and improved financial performance, compared to executives globally. At a global level, the survey found digital investment is on the rise with 45% of executives stating their number one expectation from investments is revenue growth. But in the UK, only 4% of businesses believe spending on digital enables revenue growth, 12% expect it to increase profits, and just 4% thinks digital will have a positive impact on brand and reputation.

## Organisational Gap

The 2015 Digital IQ Survey shows that UK business is concerned by a lack of clarity over who has ownership of digital within their companies, with 67% seeing it as a barrier to progress. The survey found little alignment of digital roles and responsibilities within organisational structures.

In the UK, the CEO is still taking responsibility for digital in 49% of firms while CIOs appear to have limited or no influence over their firm's external digital efforts, focusing instead on internal IT initiatives. As well, only 10 % of companies say a chief digital officer is responsible for digital.

## Followers not Innovators

According to the survey findings, UK companies tend to demonstrate a "follower" mentality when it comes to sourcing ideas for innovation. Unlike their global peers, a more traditional path of reactive competitor analysis has been the preferred method of looking for new digital ideas rather than en-gaging outside their immediate community.

Less than 10% of UK firms actively engage their external business networks for sources of innovation, such as suppliers, or leaders from other companies or industry. This is in contrast to 60% of firms in Germany, 61% in China, 37% in Australia and 28% in the US.

## Digital Capabilities

The PwC survey also reveals the UK is suffering from a skills shortage with 78% of respondents saying a lack of properly skilled teams in digital is one of the top barriers to progress in the UK.

Less than half of UK firms (48%) say they have a single, multi-year digital roadmap incorporating business and IT capabilities while only 45% of UK respondents believe they have a creative strategy and necessary design skills in place. This latter figure compares to 68% of firms in the US and 69% in China.

The PwC analysis finds that the UK largest investors in digital amongst SMEs are within the IT and Financial Services sectors, helping to explain the UK's relative success in fintech.

Jonathan Tate, UK and EMEA technology consulting leader at PwC commented: "The sharp variations in investment appetite between UK and our global respondents suggests there are gaps that need to be addressed both at the organisational level and as a leadership issue.

*"In the UK, the motivation for digitisation is there but the focus has been on cyber security and data intelligence. Greater guidance on preparing digital roadmaps and sourcing the right skills set is now needed to ensure UK businesses keep up with their overseas competitors."*

The Digital IQ Survey comes after PwC's 2015 Global CEO Survey which found almost 60% of UK leaders were concerned by the speed of technological change, while 62% were concerned that changes in technology would disrupt the core provision of their product or service.

Ashley Unwin, Head of Consulting at PwC, commented:

*"With nine out of 10 leaders believing the CEO championing the use of digital technologies is the most important factor in helping their organisation get the most out of digital investments, our latest Digital IQ report is another timely reminder about the priority that digital should play in any business strategy."*

## Pub and restaurant groups beat 2014 festive trading performance



**Pub and restaurant groups saw collective like-for-like sales increase 1.8% over the six-week Christmas and New Year period. Latest figures from the Coffer Peach Business Tracker show that after a slow start most of the uplift came in the last two weeks of the festive season.**

**T**he data covers the six weeks up to January 3, with little difference seen in the performance of London against the rest of the country. Best performers were drink-led managed pub and bar businesses, which collectively saw a 3.1% like-for-like increase over the same period last year. Restaurant groups generally enjoyed a smaller uplift, with the best trading outside of London.

*"Perhaps the most interesting feature was that the big increases in sales were all seen in just the last two weeks, which included the Christmas and New Year holidays, when like-for-like sales were up by over 4.5% on 2014 in each week,"*

said Peter Martin, vice president of CGA Peach, the business insight consultancy that produces the Tracker, in partnership with Coffer Group, RSM (formerly Baker Tilly) and UBS.

*"The run-up was slow, and even negative in the last week of November, but built up into a crescendo in the two weeks when many people were off work,"* added Martin.

*"Although the overall 1.8% increase over the entire period was less than the 2.8% increase seen last year on 2013, it is still a generally performance, as the market as a whole has slowed since last year. Competition is increasing across the board."*

Among the 30 companies that make up the Tracker cohort, total sales for the festive period, which include the impact of new openings, were ahead 5.2% nationally on last year. The underlying long-term trend shows that like-for-like sales for the whole 12 months of 2015, up to the end of December, were ahead 1.5% on 2014.

Mark Sheehan, Managing Director of Coffer Corporate Leisure, said,

*"Restaurant and pub groups reported another bumper festive period with very strong growth even against good LFL's in 2014. However, looking ahead we do predict a tougher 2016 with a marked downturn in consumer confidence and strong competition in the sector from the many expanding restaurant, bar and pub groups. Notwithstanding, overall we continue to expect growth ahead of inflation in most parts of the country and the various sub sectors."*

Adam Spencer, Associate Director at RSM UK, added:

*"The wettest December in over a century failed to dampen desire of the UK public to eat and drink out. Headline growth continues to remain strongest outside of the M25, where rents are significantly lower and more accommodating councils have recognised the wider benefits that a varied food and drink destination can bring to a community. Our chief concern is that continued wet weather, the proliferation of 'dry January' and stock market turbulence will impact the current month and negate any gains made over the festive period."*

Jarrod Castle, leisure analyst at UBS Investment Research, observed:

*"The year ended positively, with the 12-month moving average growth rate coming in at 1.7%. While overall London outperformed the regions, trading in chain restaurants was toughest in London. While the end to the year should reassure, the start to the new year remains uncertain."*





## Glasgow Hoteliers Missing Their MTV as Year-on-Year Profit Levels Plummet

Year-on-year profit levels at Glasgow hotels fell by 17.2% this month as the city's hoteliers lamented the absence of MTV European Music Awards-related demand which fuelled a 35.1% increase in RevPAR (Revenue per Available Room) this time last year, according to the latest data from HotStats.

The high-profile awards event is hosted by a different European city each year and generates significant demand for accommodation in the chosen destination, with research suggesting 8,000 hotel room nights were booked locally when Belfast hosted the event in 2011. It is therefore not unexpected that the performance of Glasgow hotels this month should pale in comparison to the stand out performance of 12 months ago. Despite the decline, at £43.86 for the month, GOPPAR (Gross Operating Profit per Available Room) at hotels in Glasgow was 20.9% above levels achieved in November 2013 at £36.28, illustrating the extent to which hoteliers have benefited from the elevated profile of Glasgow as a visitor destination in recent years.

The current strength of demand at Glasgow hotels is further illustrated by RevPAR for the month of November recorded at £69.17, 21.8% above the levels achieved during the same month in 2013 at £56.78. In addition to the MTV European Music Awards, Glasgow also hosted the Commonwealth Games and Ryder Cup in 2014, which have undoubtedly had a continued positive impact on hotel performance in 2015.

However, in addition to year-on-year decreases in occupancy (-2.0 percentage points) and achieved average room rate (-7.6%) this month, hotels in Glasgow suffered year-on-year declines in revenue in Food & Beverage (-2.3%), Conference & Banqueting (-3.4%) and Minor Operating Departments (-21.1%), which contributed to a 6.9% decline in TrevPAR (Total Revenue per Available Room). Increases in labour (+1.0%) and overhead costs (+0.7%) contributed to the 17.2% profit decline.

### November Profit Wobble Will Not Impact Strong Performance by South West Hoteliers in 2015

November marked the first month in which hotels in the South West region have recorded a year-on-year decline in profit in 2015.

The 0.8% drop in GOPPAR this month, to £26.10 from £26.31 during the same period in 2014, will not impact the overall profit performance for 2015, which is set to increase by double figures this year on the back of a 12.6% year-on-year profit increase in 2014. However, the drop was as a result of a notable year-on-year increase in labour (+2.5%) and overhead (+5.9%) costs.

Whilst the South West region undoubtedly remains in a purple patch, the trend of year-on-year cost increases has been noted throughout 2015, but is more prevalent in November as growth has slowed. The most concerning increases in year-to-date costs have been recorded in Rooms Cost of Sales (+21.8%) and Sales & Marketing Expenses (+20.7%), which should be managed to ensure South West hotels remain profitable.

### Profit Levels at Country House Hotels Going From Strength to Strength

The UK's rurally located hotels are keeping up with, and in many cases exceeding, the performance of their urban colleagues as illustrated by the year-to-date GOPPAR increase of 11.8% for the 11 months to November 2015.

In addition to benefiting from a return to good levels of disposable income fuelling the ongoing recovery in the leisure segment, many country house hotels have significant meeting and event facilities and are also benefiting from the revival in this segment. This is exemplified by the increase in the proportion of demand from the residential conference segment, to 19% of total demand in the 11 months to November 2015 from 18.1% during the same period in 2014, as overall occupancy has increased by 2.7 percentage points. This is coupled with a 3.5% increase in the achieved rate in this segment, to £94.31, the highest yielding segment.

Country house hoteliers appear to have a good grasp of costs levels, having worked hard to convert a 4.7% year-on-year increase in TrevPAR to an 11.8% increase in GOPPAR in the 11 months to November 2015. This is on the back of a 9.6% year-on-year profit increase in 2014.



## The month of November 2015

SOUTH WEST

	Nov'15	Nov'14	Var b/w	
Occ %	72.4	71.8	0.5	▲
ARR	78.87	75.99	3.8%	▲
RevPAR	57.09	54.60	4.6%	▲
TrevPAR	96.26	94.49	1.9%	▲
Payroll %	33.3	33.1	-0.2	▼
GOP PAR	26.10	26.31	-0.8%	▼

		Nov'15	Nov'14	Var b/w	
COUNTRY HOUSE HOTEL	Occ %	68.3	66.2	2.1	▲
	ARR	80.20	79.55	0.8%	▲
	RevPAR	54.81	52.67	4.1%	▲
	TrevPAR	134.49	131.64	2.2%	▲
	Payroll %	39.8	39.2	-0.6	▼
	GOP PAR	24.95	22.87	9.1%	▲

		Nov'15	Nov'14	Var b/w	
GLASGOW	Occ %	83.5	85.5	-2.0	▼
	ARR	82.89	89.75	-7.6%	▼
	RevPAR	69.17	76.72	-9.8%	▼
	TrevPAR	121.03	130.02	-6.9%	▼
	Payroll %	27.4	25.2	-2.2	▼
	GOP PAR	43.86	53.01	-17.2%	▼

## The Calendar year to November 2015

	YTD'15	YTD'14	Var b/w		
SOUTH WEST	Occ %	77.0	75.3	1.8	▲
	ARR	78.80	73.27	7.5%	▲
	RevPAR	60.69	55.15	10.0%	▲
	TrevPAR	98.88	92.43	7.0%	▲
	Payroll %	31.3	32.3	1.0	▲
	GOP PAR	29.63	26.42	12.1%	▲

		YTD'15	YTD'14	Var b/w	
COUNTRY HOUSE HOTEL	Occ %	71.8	69.1	2.7	▲
	ARR	81.31	79.65	2.1%	▲
	RevPAR	58.37	55.05	6.0%	▲
	TrevPAR	145.18	138.71	4.7%	▲
	Payroll %	36.4	36.5	0.1	▲
	GOP PAR	34.81	31.13	11.8%	▲

		YTD'15	YTD'14	Var b/w	
GLASGOW	Occ %	84.3	83.4	0.9	▲
	ARR	79.66	79.95	-0.4%	▼
	RevPAR	67.13	66.69	0.7%	▲
	TrevPAR	107.23	107.07	0.2%	▲
	Payroll %	28.2	27.9	-0.3	▼
	GOP PAR	37.92	39.16	-3.2%	▼

## The twelve months to November 2015

SOUTH WEST

	Rolling'15	Rolling'14	Var b/w	
Occ %	76.0	74.2	1.8	▲
ARR	78.33	73.06	7.2%	▲
RevPAR	59.52	54.22	9.8%	▲
TrevPAR	98.72	92.69	6.5%	▲
Payroll %	31.6	32.5	0.9	▲
GOP PAR	29.25	26.21	11.6%	▲

		Rolling'15	Rolling'14	Var b/w	
COUNTRY HOUSE HOTEL	Occ %	70.6	67.8	2.8	▲
	ARR	81.16	79.38	2.2%	▲
	RevPAR	57.26	53.81	6.4%	▲
	TrevPAR	144.44	137.60	5.0%	▲
	Payroll %	36.5	36.7	0.2	▲
	GOP PAR	33.90	30.06	12.8%	▲

	Rolling'15	Rolling'14	Var b/w		
GLASGOW	Occ %	82.7	82.0	0.7	▲
	ARR	78.98	78.96	0.0%	▲
	RevPAR	65.32	64.77	0.9%	▲
	TrevPAR	106.98	106.46	0.5%	▲
	Payroll %	28.5	28.1	-0.4	▼
	GOP PAR	37.29	38.25	-2.5%	▼

**Average Room Rate (ARR)** - Is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

**Room Revpar (RevPAR)** - Is the total bedroom revenue for the period divided by the total available rooms during the period.

**Total Revpar (TRevPAR)** - Is the combined total of all revenues divided by the total available rooms during the period.

**Payroll %** - Is the payroll for all hotels in the sample as a percentage of total revenue.

**GOPPAR** - Is the Total Gross Operating Profit for the period divided by the total available rooms during the period.

**For more information please:**

call +44 (0) 20 7892 2222

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# Members' Events **Forthcoming events**

**28th January 2016**

## ***HOSPA Revenue Management Forum***

For our first members' event this year, HOSPA will be holding a Revenue Management Forum at Le Meridien on Piccadilly at 6pm on Thursday 28th January. The aim of this 'open forum' event is to ensure that the HOSPA Revenue Management Committee are planning and hosting the rights events with relevant topics to develop the profession of Revenue Management in the UK during 2016.

The focus areas for discussion and debate are:

- Meetings, events and networking
- Education, accreditation and recognition
- Any other needs, requests and ideas

We have confirmed attendance from Revenue Management leaders from some major hotel brands such as Accor and IHG to help lead the discussion and debate the issues, so we anticipate some interesting and insightful conversations!

This is **your** chance to contribute and be part of developing a community which will benefit all your current Revenue Management team and those up and coming in the industry.

Even if you are not working directly in Revenue Management this event will help you understand the discussions, issues and challenges within Revenue Management today.

Please contact Jenny Rose via email at [jenny.rose@hospa.org](mailto:jenny.rose@hospa.org) or call 0203 418 8196

**9th February 2016**

## ***Cost Control for Food & Beverage Operations***

Cost Control for F&B Operations is designed for all those involved with the management of food and beverage operations, from head chefs to food and beverage controllers. No prior knowledge of finance and accounting is required.

### **What is this course about?**

This one day course has the purpose of assisting businesses with the effective management and control of food costs, staffing costs and menu pricing; all of which have a direct impact on profitability. Taking a practical approach, the course is highly interactive and uses a series of worked examples, case studies and discussions.

Divided into seven key topic areas, the course covers:

- Best practice in purchasing and stock control
- Menu planning, standard costing and gross profit management
- Impact of sales mix
- Wage and salary scheduling control
- KPI's for food and beverage control
- Break-even analysis for F&B outlets
- Action plans for profit improvement

### **What does it cost?**

This one-day course is priced at £300 + VAT per delegate and includes lunch and course notes, plus 14 days access to the online classroom. The course runs from 9.30am until 4.30pm.

### **Location**

London

### **How do I register?**

To register your place at this event, please email [education@hospa.org](mailto:education@hospa.org) or call the Professional Development team on +44 (0)1202 889430.

### **For more information**

Email [education@hospa.org](mailto:education@hospa.org)

**10th February 2016**

## ***Introduction to the Uniform System for the Lodging Industry 11th Edition for Finance Managers and Auditors***

Hospitality Reporting and the USALI' has been designed for hospitality finance professionals whose role includes the preparation of internal accounts for control and strategic decision making.

### **What is the course about?**

The objective of this one-day course is to guide hospitality finance professionals through the range of revisions in the new edition of the USALI, which include updates on the following topics:

- Summary Operating Statement
- Operating Schedules
- Food and Beverage Department
- Non-Operating Income and Expenses
- Financial Ratios and Operating Metrics
- Financial Statements
- Revenue and Expense Guide

These revisions are a reflection of the need to update due to changes in industry practice and Generally Accepted Accounting Practice.

The training will be delivered by Debra Adams, Head of Professional Development for HOSPA and arena4finance, and Diana Mountain, former Chair of the HOSPA Finance Committee.

### **What will participants gain?**

On completion of the course, delegates will be equipped with the know-how to be able to:

- Prepare financial statements to industry standard
- Understand, interpret and prepare financial reports
- Remain in compliance with the Uniform System.

### **What does it cost?**

This one-day course is priced at £300 + VAT per delegate and includes lunch and course notes, plus 14 days access to the online classroom. The course runs from 9.30am until 4.30pm.

**Location**  
London

**How do I register?**

To register your place at this event, please email [education@hospa.org](mailto:education@hospa.org) or call the Professional Development team on +44 (0)1202 889430.

**For more information**

Email [education@hospa.org](mailto:education@hospa.org)

**11th February 2016**

**Asset Management & Hotel Valuations**

The Association of Asset Managers describes Asset Management as the management of (primarily) physical assets (their selection, maintenance and renewal) and plays a key role in determining the operational performance and profitability of industries that operate assets as part of their core business.

**What is this course about?**

This highly interactive one day programme has been devised to provide the delegates with an opportunity to develop their understanding of asset management in the hospitality industry.

The course includes techniques for valuing hospitality assets, developing financing strategies, reviewing management contracts and franchise arrangements as well as benchmarking, KPI's and capital investment appraisal techniques. Examples and scenarios are based on the 11th Edition of the Uniform System of Accounts for the Lodging Industry.

This course is ideal for those wishing to learn more about Asset Management in the Hospitality Industry. On completion of the course, delegates will be able to:

- Monitor and measure effective asset management
- Understand the changing nature of asset ownership
- Use Investment appraisal analysis
- Apply discounted cash flows
- Understand the meaning cost of capital
- Use Risk and Sensitivity Analysis
- Review strategic trends in the hospitality industry

**What does it cost?**

This one-day course is priced at £300 + VAT per delegate and includes lunch and course notes, plus 14 days access to the online classroom. The course runs from 9.30am until 4.30pm.

**Location**

The Apex Hotel, 1 Seething Lane, London EC3N 4AX

**How do I register?**

To register your place at this event, please email [education@hospa.org](mailto:education@hospa.org) or call the Professional Development team on +44 (0)1202 889430.

**For more information**

Email [education@hospa.org](mailto:education@hospa.org)

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**HOSPA Partners**

Fresh Montgomery (Hotelympia 2016)  
HFTP (Hospitality Finance and Technology Professionals)  
Hotel Marketing Association  
Hotel Technology Next Generation  
Smart Report

**HOSPA Education Partners**

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HOSPA thanks the following companies for being Founding Sponsors of our relaunch as HOSPA as an Association for Finance, Revenue Management and IT Professionals. These companies have enabled the development of the HOSPA brand, new members' website and other facilities.

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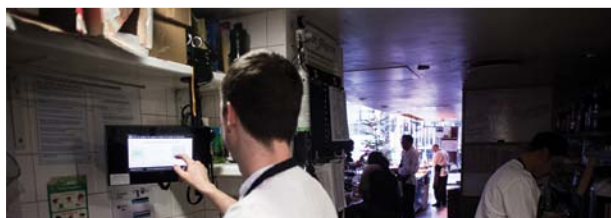


**HOTELympia**  
EXCEL LONDON  
29<sup>th</sup> FEB – 3<sup>rd</sup> MAR 2016

## THE HUB OF ALL HOSPITALITY TECHNOLOGY KNOWLEDGE IN ONE PLACE



Whether you are a technology specialist or a hospitality professional with an understanding for the importance of technology to continued business performance, you can't help but have been affected by the relentless gallop of technology. During Hotelympia 2016, the HOSPACE Hub, sponsored by the Hospitality Professionals Association (HOSPA) will help technology specialists, hoteliers, restaurateurs and publicans to better understand and harness for their own outlets, the very latest technological advances.



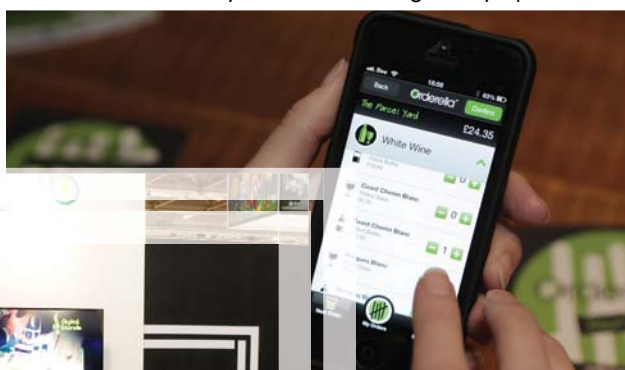
TECHNOLOGY THEATRE

With Discovery, Delivery and Efficiency as key watchwords, the HOSPACE Hub will offer focused panel discussions around acquisition, service experience and efficiency for both guests and diners. Hot-button subjects will include: distribution; reservations; marketing and loyalty; point-of-sale; up-selling; table management; in-room technology; service automation; supply chain and inventory management.

The Hub will welcome a number of key influencers and experts onto its stage, including: Google UK's Head of Hospitality, Terri Scriven, who will be talking about how sites can, with limited resources, make digital channels a boon rather than a bane; CEO of Hotelympia Innovation Award winners, Orderella, Denis Collet, who will be discussing functional technology and how its development is being driven by a whirlwind of customer demand; Digital Blonde Karen Fewell and My Ly, Senior Marketing Manager for YO! Sushi, who will be debating the merits of digital marketing on a budget and Tom Valentine, Co-founder, Secret Escapes, who will be investigating the developing of relationships between booking agencies and restaurants and hotels.

Visitors can expect to see a host of innovative new solutions throughout the four days. Exhibitors include: Oracle Hospitality who will be demonstrating its innovative cloud, mobile, and guest experience technology; global payment provider Elavon Merchant Services; cloud based hospitality management company, Kobas and fully-integrated property management system provider, Springer Miller.

If your company or outlet has a vested interest in utilising technology to strengthen your business practice, then make the HOSPACE Hub a key destination during Hotelympia 2016.



HOSPACE **hub**

The UK's most comprehensive hospitality event, Hotelympia, returns to the fold in February 2016 (29th February – 3rd March) ExCeL London. Registration is now open, so don't delay and book a place at *Your Show*:  
[www.hotelympia.com//hospa](http://www.hotelympia.com//hospa)

Follow @Hotelympia on Twitter for the latest show news and keep up-to-date on any new announcements.

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