

THE OVERVIEW

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HOSPACE 
Conference & Exhibition 2013



WE WERE THERE, WERE YOU?

Welcome to THE OVERVIEW

Dear members,

You are reading this at the end of one of the busiest conference seasons that the hospitality sector has ever known. With at least three a week and in some cases two a day, times have never been so good for lanyard manufacturers.

This year's HOSPACE event attracted over 400 delegates from a number of disciplines across the sector and it was a testament to the event that they came to Terminal 5 without the lure of a Caribbean holiday at the end of it.

The event combined the finance, revenue management and IT elements which form the foundations of HOSPA, to great effect. There were the traditional conference panels, with industry leaders discussing the issues of the day, as well as education sessions and a lively exhibition.

For me, the highlight was the finance panel, which gave hope to the delegates with the news that cash was at last available and at a more reasonable cost than has been seen for many years. What has made the shift most striking is that this now extends to the provincial market. With PwC's Liz Hall highlighting growth outside London, it seems that the maligned regions are set to see a recovery that has been a long time coming.

The sector has largely done this on its own, with little help from the government. A number of plans have been proposed since the collapse of Lehman Brothers, from investment in the infrastructure to lower tax for travel businesses. The only positive move - simplification of visa applications for Chinese nationals - has led to growth in visitors, which will help the UK compete with the likes of Paris. Imagine what we could do with more assistance.

Of course it doesn't end here for HOSPA - the festive season continues apace and next up is the Awards Lunch on 19th December. Good luck and happy holidays.



Katherine Doggrell

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Reflections on HOSPACE

Its two weeks since HOSPACE and we are still glowing.

We have had so many kind comments about the event on so many levels and from so many people, I was even approached at the Hotel Cateys Awards Dinner on Friday with some compliments from HOSPACE attendees.

It is very satisfying to know how many people enjoyed themselves and found the event useful and indeed rewarding.

It is interesting organising the event, with so many unexpected turns in the run-up. From a new audio visual company - AVC Live - a new stage design, a new video company - Vintra - and a new conference organiser at the Sofitel T5 Hotel (the previous lady had looked after us for five years), a change of Leaders' Panel Chair a week before the event (thank you Peter Hancock of Pride of Britain Hotels for stepping in so late and doing such a great job!) to the challenge of the entertainment and beating last year's drums (please excuse the pun!)....Plus we had a few technology challenges (files for presentations with USB keys not working, one file on Dropbox rather than on a USB key).

Most delegates booked in the last few weeks as usual which is always a dramatic time for us.

Although we are in hospitality, this is the one time of year when I feel we really are in the hospitality business in terms of our delegates and exhibitors, who become our guests for the day and

evening. We do it maybe three times a year on this scale. I can but appreciate the job our industry does throughout the year and especially in December.

We have a superb (voluntary members) HOSPACE operational team for the day in Geoff Royle of Flexis Hospitality, Jane Pendlebury of Penrose Partnership, Andy Royle and Mark Jelley - all in conjunction with Wayne Gosden of the HOSPA Membership and Events office supported by Lisa and Cara. One of Wayne's many tasks was taking over 45 changes to exhibitor and other bookings on the Wednesday afternoon and evening before the event - all of which needed to be communicated to the Sofitel and new badges made, amongst other items.

We have to arrive on the Wednesday afternoon with all our collateral and then start to scramble around looking for various delivery items for ourselves and the exhibitors (e.g. missing 90 green lanyards this year).

This team - that starts at 5.30am on the day - supports and ensures the exhibitors are set up, the electrics are supplied to the stands, the PA system in the hall works, the hotel layouts and rooms as planned and that all those special exhibitor requirements are provided and then that delegates are checked in and badges and bags provided to them.

The overall survey score for conference organisation and administration was a 9.48 out of 10 which reflects what a great job this team do!

The one problem we certainly did have this year - out of our control unfortunately - was the Wi-fi provided by the hotel. It "fell over" a number of times - and caused problems for delegates and exhibitors. Again this struck me how much Wi-fi and tech is now inextricably linked with the hospitality offering - and with ever more need for hotels to stay ahead of customer requirements - as the IT debate suggested - "bandwidth is everything".

It is always a challenge getting delegates in and out of the main room and moving people around the exhibition at the right time - and then actually running the sessions themselves.

The panels all delivered on the latest topics and debates of the day - and moved along briskly and well this year. If you were to ask me now - I would like one panel next year to be a real debate - this view versus an opposing view to generate some real discussion! We could also have done with a few more ladies on the panels! The HOSPA 300's all worked well with a mixture of delivery styles and one finishing right on the 300 seconds.

The educational sessions challenge is getting everyone to the right room for the session they want to be in - but it all seemed to work and no-one got lost!

The entertainment in the evening is always a challenge now that we have a reputation to maintain. We search high and low for the right entertainment and games for our delegates and guests - visiting the Confex show at Excel in February as part of our research. Part of the challenge is to be different each year. This year's set up included magic ladies during pre-dinner drinks and then of course the main piece. This required a bit of planning and set up - I had to plant the seed of the "cancelled entertainment" as I went around every table at the dinner - and a huge thanks to Ben Gateley from Born Social for playing his part of engendering some pity for being asked to do a last minute presentation on social media before the final reveal when the sound man repairing Ben's microphone burst into song! Another plant was a lady from "digital media" on my dinner table and finished off with a singing chef! Even a very experienced hotel operator commented that he did not see this coming. Looking at everyone enjoying the after-dinner games (casino tables, snow-dome and big piano) it strikes me that HOSPACE guests really do enjoy the fun after all the work and information flow during the main day.

Jess and Ben from Born Social were busy during the day with new followers and a great deal of discussion on social media. We provided a HOSPACE tablet app for the first time this year which - due to the technology developments was only available on tablets (as opposed to smart phones).

One of the areas we will try and develop with iRiS who kindly provided this technology is to make it available on smartphones next year and highlight it earlier.

- and possibly use it for voting on some of the issues that were brought up in the various panels. Voting systems is something definitely on the agenda for next year!



I have to rely on others to summarise the main panel discussions later in this issue, but a number of aspects and thoughts occurred to me during the day:

- *HOSPA members and HOSPACE delegates enjoy meeting up with each other*
- *The networking is very important to everyone*
- *All want to listen to Icons in the industry and understand their position on latest topics*
- *Latest views on trends is important to all*
- *There was a very positive Industry 'vibe' this year*
- *We squeeze a whole lot into the day – it is possibly time to expand back into the second day?*
- *There is always a system or product at the event that has not been seen before*
- *The evening entertainment and event is a crucial part of HOSPACE and its character*
- *Nearly everybody had a great day!*
- *We can always add and improve for next year.*



Making change happen

Competitive advantage belongs to those hotels/brands willing to innovate and change. Innovation, new technology, updated working practises, novel management approaches and shifts in market requirements, all continually unfold against a shifting commercial landscape.

Indeed change itself is recognised as one of the drivers of success. Hotels and brands that don't adapt to a changing environment, adopt and embrace change probably won't be around for long. Theirs will be 'death by a thousand cuts.'

The argument for making organisation change - where it's needed - is easy to justify. However, it's not so easy to implement. The reason? Change is something that happens to people, is felt by people, your teams. And people resist change!

Where change is not managed effectively, employees inevitably become disgruntled, their productivity drops, and customer service becomes increasingly shoddy.

Therefore leaders and managers across all functions, including finance and accounting, need a high level of skill, willpower and sensible tactics to manage the process of change successfully.

Typical examples of change in the hospitality sector include:

Acquisitions, mergers and reorganisations

New technology implementation

New legislation or codes of practise

An independent hotel rebranding as part of a chain

Downsizing or redundancies resulting from economic downturns or tougher trading conditions.

Organisational change is one of the most difficult tasks managers face. These top five tips - plus insights from leading change management consultants - will help you navigate the choppy waters of large scale organisational change.

1. Plan

Given the general groans and foot-dragging that greets most organisational change programmes, you will need a robust plan to get you from Situation A to Situation B. One that can be easily explained to all stakeholders. Such planning gives you confidence and a roadmap to follow. It reinforces your intention to see this thing through where others may be doubtful.

You need to anticipate and then answer all the questions that will arise. It's not surprising that queries and a feeling of malaise may arise during period of change. Change is not always welcomed with open arms. It heralds the unknown and triggers an emotional response.

Your planning can circumvent these feelings by articulating a clear road ahead with milestones and desired outcomes.

While planning is important, being flexible and adaptable are equally so, as Nick Mayhew, director at change management consultancy Integral Change, explains:

"Large organisations are 'complex adaptive systems' rather than mechanical, machine-like entities. It's unlikely real lasting change can be delivered via a typical, top-down and linear programme, planned and costed in detail from the outset. We find that a flow of minimal interventions — hypothesis, intervention, sensing, learning, and the next hypothesis — engages leaders and their teams around their effort to achieve large-scale organisational change, much better than the usual programmatic forms of change management."

2. Demonstrate the benefits

The greatest generals win the important battles by taking their troops with them: physically, emotionally and psychologically. The same is true for business leaders. You'll need to be able to make a compelling case for organisational change affecting colleagues and staff.

One of the most effective ways to win hearts and minds of your team is to clearly lay out the positive outcomes your programme of change will bring. This needs to resonate with several groups each of which will have differing agendas.

A technique used by some is called Buyer Personas, which is to define the most important stakeholder archetypes that you need to influence. By clearly describing the character, needs, wants, issues and desires of each group, you are able to tailor a set of messages for each 'persona'. You can then 'sell' the concept of a better future for all. Not everyone is a natural salesperson but the Buyer Persona technique allows one to align messages very neatly to distinct groups in your teams.

3. Involve the team

The greatest innovations result from diverse inputs from talented people so it pays to include your employees and colleagues in some decisions. As well as garnering real insights from the people affected by change, giving colleagues a sense of ownership for the process will help you achieve your objectives with less friction. Gaining commitment at the outset plays massive dividends as the process of change unfolds.

Depending on the nature of the project in hand, colleagues may require different levels of support and guidance. Make sure you have thought this through in advance and have got systems prepared to offer any services people might need, such as training, professional accreditation or emotional support.

Controlling managers must learn to let go

"Many leaders believe it's a good thing to be uncompromising and obsessive — after all, that's how organisations succeed! This is partly true. But in my experience, if you can discern between the valuable and the destructive parts of a controlling tendency, you can become a much more grounded, trusted and able leader. Otherwise you limit your ability to expand a business or lead any serious change effort, particularly in these complex, uncertain times, when so little can actually be controlled and engagement is so key."

Esther Cameron, director, Integral Change

4. Nullify the negatives

Times of crisis provide the conditions for extremist views to form. Those views tend to find purchase with vulnerable or weakened individuals. Likewise times of change within businesses can allow negative people to find a platform for their unhelpful views. Naysayers may find and use a platform and an audience while the ground is shifting. Identify and nullify them before they infect your team.



5. Clear communication

If you've involved your team in your strategic plans, are able to demonstrate the benefits, and have tactics to silence complainers, then you probably recognise the importance of clear communications.

So much success or failure in life is down to the quality of communications. A communications plan doesn't need to be a Gantt chart or colour-coded spreadsheet. It is simply a commitment to keeping colleagues and peers informed of where you are at:

What milestones or deadlines have we hit?

What is the next step in this project?

How does it affect me?

The end is never nigh

The unstoppable nature of change is further complicated insofar as its cycles and elements run at different, overlapping speeds.

Five years ago, who would have predicted that 60 per cent of hotel bookings would be made online?

Budget hotels have prospered over the last decade. Who saw that coming?

Customers now regard free hi-speed WIFI as a basic human right; not a 'nice-to-have'.

Technology 'game-changers'

"Obviously the emergence of the online travel agents has been a hugely disruptive technological change. The other big technological change of course is social media which is completely changing the way that we experience hotels, I mean we've all read a thousand reviews before we even show up. Whereas in the past of course it was much more on the basis of personal experience, a brand that you trusted or maybe the recommendation of a friend or a colleague. So this is massively changing things, shifting the focus towards greater transparency and really forcing hotels to raise their game across every single area of service."

David Fenton, Senior Economist, RBS

We need to acknowledge this state of flux and be alert to opportunities to improve or rethink our operations, services and customer experience. Hospitality operators averse to change will most likely deliver ever-decreasing returns as the competition attune to what customers want. Customers requirements, competitor strategy, price elasticity, new regulations and policies, all are moving at different speeds. Managing change means managing the future success of your hotel or brand.

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Gemma Gowers	Finance Director	Yotel
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Revenue Management Programme:

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Emma Smith	Performance Improvement Manager	Previously at Whitbread Hotels & Restaurants

Financial Management and Revenue Management Programmes 2014

We are currently taking enrolments for the March 2014 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 www.hospa.org/education/education-and-training-programmes or call the Courses Administrator, **Jane Scott**, on **01202 889430**.



A veritable Christmas-worth of glad tidings and great joy have been spreading around the conference season this year and HOSPACE 2013 was no exception. There was much talk of the new normal, be that in terms of deal flow or the technology which is now de rigeur in the hospitality sector.

While guests are becoming increasingly used to the idea of being able to book online and on their smartphones, they are still expecting a warm personal welcome when they actually step foot into their hotel or restaurant, although delegates heard that this could soon change, with front of house staff adding a digital helper.

Attendees were told that plans Tesco currently has to use facial recognition to identify the gender of shoppers and target adverts accordingly, could easily find its way into the sector. Be prepared for the front desk to know exactly who you are, from a quick scan of your face. Be prepared also for them to have looked at our digital identity, from your Facebook and Twitter accounts to, well, anything you have online.

"We can't get away from RFID, NFC or facial recognition, because it's happening now in retail," said Paul Squires from Motorola.

This may be very handy for identifying you, but not all the panelists were in favour. Kempinski's Jeremy Ward made the point that, no, "a good concierge should recognise you, I think most of our staff can tell which sex guests are and roughly how old they are".

Concerns over privacy were likely to change, it was decided, with Starwood Hotels & Resorts' Carson Booth adding that "young people aren't concerned" about privacy. There are, it was decided, less invasive ways to form a relationship with your guests - one method being apps. These, Booth said, allow hotels to bring guests into their "walled garden". With an app, a business can stay in touch with the guest from booking until after they have left, with the option to maintain contact through sending offers, which, in the case of hotels, can keep customers on-site and drive F&B revenue.

For anyone considering their technological requirements, the warning was not to be over-ambitious. "We're never going to be ahead of the consumer technology trends - you need good bandwidth and a good TV," said Booth. With the systems and content which people have at homes being significantly better than those in hotels, it's time to look at how guests can bring their own content in and use it.

To have any guests, you first need a hotel and acquiring - or building - a hotel needs money, something which had been in short supply of late, but, which, delegates were told, was changing for the better as the debt market becomes more competitive, welcoming a wider range of investors to hotels. There was hope that, as De Vere CEO Robert Cook put it, "the scars from the last six years can start healing".

Andy Lancaster, head of hotels, Corporate & Institutional Banking at RBS, told delegates: "There is more competitive

“Banks are trying to lend money, but do people have the confidence to borrow it?”

Navneet Bali, CEO and head of development and finance at Meininger Hotel Group.



tension in the lending market than there has been for a while” as he repeated the bankers’ mantra of the downturn, that the bank was lending, but, lending “more than we have in recent years”.

Lancaster pointed to a new era of more restrained lending, adding: “The banks had strayed out of what was our meaning of being. We’re back to basics, looking at the provision of senior debt”. This new conservative approach to debt was not, he said, limited to lenders, “there’s also a correction on the borrowers’ side - they don’t want to be in a position where the lender is breathing down their neck”.

“Banks are trying to lend money, but do people have the confidence to borrow it?,” added Navneet Bali, CEO and head of development and finance at Meininger Hotel Group.

Graeme Smith, partner at Zolfo Cooper Corporate Finance, confirmed the new sobriety, adding: “The lending criteria haven’t been changed, they’re just being applied more,” he said, “We’ll never get to those dizzy heights again, which is probably a good thing”.

This more moderate environment was, Smith said, driving funding shortfalls to be “less a funding gap than a funding chasm”. Paul Beaumont of investment management firm Downing, reassured the delegates that there was “a growing family of people coming into the funding gap”. These were identified by Smith as parties including private equity and High Net Worth Individuals, looking for tax efficient ways to invest, as well as looking for decent returns.

Potential lenders were not, the delegates told, necessarily looking for brands, although for banks, Smith said: “The brand is like a comfort blanket for a credit committee”. Predominantly, a convincing business plan and a motivated management team was the requirement.

Driving this interest in hotels was the sector’s consistently-strong trading in London and signs of recovery in the provincial UK. Liz Hall - head of hospitality & leisure research, PwC, told the conference that the company was “cautiously upbeat” for 2014 and that while the slowdown in the BRIC countries was “not great”, the calmer environment in Europe was helping short-haul traffic.

PwC is forecasting RevPAR growth for 2014 of 2.4% in London and 1.8% in the regions. Cook spoke for the conference when he commented: “We’ve got scars on our backs from the past six years, hopefully they’ll start healing”.

And what does the future look like? With international travel volumes increasing, all inbound to the UK, it is no surprise that UK has the highest pipeline, followed by Germany and Russia. The supply is expected to become more crowded, with 20,000 new rooms to be available in 2014, but despite this additional supply, occupancy levels are expected to remain high, with 82% forecasted for London and 71% for the Regions.

One of the topics discussed by the leaders’ panel was talent within the industry and it was concluded that the industry does not have an issue with talent. Hospitality has created some of

the best leaders in the world and that “great brands arise from great people within”. But the panel were divided on whether this talent remains within the industry or not.

It was agreed the biggest issues facing the sector are the increasing energy prices, occupancy levels remain strong, the ever rising cost of food and there have been no pay rises for five years above the national minimum wage. As we emerge from the recession employees will expect significant pay rises. These factors will no doubt squeeze margins, but more capital will be available.

The revenue management panel featured an interesting mix of experts discussing a range of issues facing revenue generation. The panel opened the discussion with direct business vs. business through OTAs. For most hotels 20% of their customers’ book directly through them and the rest come from other channels (mainly OTAs). The IHG group, however have 80% direct business. This has been achieved through the power of the brand, a loyal customer base and great sales teams at the hotels. They are still very much people centric. But OTAs have access to large customer base, the industry needs them and they need the industry.

So what other areas will generate additional revenue? The views were mixed, some believed it would be “selling loyal customers additional services, which the industry is really poor

at”. Some believed social media was the key, as it’s all about marketing and sharing experiences, which will give rise to new business. It is important to look at the next generation of traveller and their demands. The current traveller tends to find technology and social media intrusive, but the next generation do not share the same views. The industry is heading towards price transparency, no longer about price parity. Customers are willing to pay extra for better service/product.

Delegates were able to enjoy all this with the help of the iRiS Delegate app, a virtual event management solution that enables event organisers and conference centres to provide delegates with a multilingual, interactive event experience on their own device. The app was a full featured event guide, personal conference planner and networking tool which allows delegates to view the conference schedule and export it to right into their device’s calendar app, access venue information, view attendee lists with LinkedIn profile links and manage documents, presentations and personal notes from each session.

The afternoon Educational Workshops - which were all presented by companies and organisations which are specialists in their fields - were designed to enhance professional development. They included sessions from Barclays on payment systems, as well as the issues of mobile hospitality with PAR Springer-Miller.

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Budgeting within the hospitality sector in the aftermath of the financial crisis – a summary of initial findings

Background to the research project

The purpose of this research project was to find out more about budgeting and how the budgeting process was affected by the financial crisis within the UK hospitality sector. The initial findings suggest that in the period following the financial crisis, budgeting has proved to be very helpful and very useful with the management control process, and it would appear that within the hospitality sector we are not yet 'beyond budgeting'.

This project was in part inspired by a relatively recent North-American academic paper (Libby & Murray Lindsay, 2010) which carried out an extensive web-based survey of North American accounting practitioners, with a target sample of more than 16,000 senior finance managers employed by 'for-profit' organisations in the United States or Canada. The survey considered the forceful case made against traditional budgets by the American management consultants Hope and Fraser (2003), which can be summarised as follows:

1. *Budgeting consumes a lot of management time making it a costly process*
2. *Budgets inhibit firms from adapting to changes in a timely manner*
3. *The budgeting process is disconnected from strategy*
4. *The use of the budget as a fixed performance contract leads to unreliable performance evaluation and promoted budget gaming*

Libby and Murray Lindsay concluded from their survey that budgets were still being widely used for control purposes, and were widely perceived by the survey respondents to be value-added. The authors did, however, identify the need for further research into companies operating in unpredictable environments. It is also important to bear in mind that the North American survey was carried out before the full impact of the financial crisis affected operations (i.e. from late September 2008 onwards). There seems to have been little or no research carried out about budgeting in times of crisis, hence this project has attempted to ascertain a more contemporary view about the budgeting process.

Objectives of the research project

This research project involved carrying out face-to-face interviews in order to find out more about the budgeting process and to review the extent to which Financial Directors (FD's) and Financial Controllers (FC's) made use of an annual budgeting cycle, and the extent to which the budgetary control process was seen as useful and adding value within their organisation, assisting the overall management control process. Additional questions were also asked about forecasting, and also the extent to which comparative information and benchmarking was used to compare the performance of their hotels against competitors.

Focus upon the hospitality sector

The significant contribution made to the UK economy by the hospitality sector makes this a very interesting context within which to consider management control issues. The characteristics of services, with a very significant emphasis upon the customer makes management control issues even more relevant in contrast with say conventional product costing. The service sector itself is highly diverse and includes tourism, financial services, retail businesses, healthcare, hospitality and catering. Analysis of the UK Office for National Statistics data (Great Britain, Office for National Statistics, 2012) indicates that accommodation alone accounts for approximately 0.85% of Gross Domestic Product (GDP), and food, beverage and service activity account for approximately 2.15% of GDP, from the full-year 2012 data. Hence it can be approximated that hotels and restaurants accounted for approximately just over 3% of the UK GDP in 2012.

The research approach

The complexity of the issues addressed by this project should not be underestimated, and in focusing upon the budgeting process it has not been the intention to find a "technical solution" to the many challenges and problems faced by the hospitality industry in the post-financial crisis years in the UK. The business environment has been characterised by uncertainty and conservatism, and there is no doubt that the economic crisis has put enormous pressure on the functioning of management accounting systems

The main focus for this study became apparent quite soon as the concept of survivability, or ensuring a future. The preconceptions about evaluating budgeting practice soon became less of a focus in the interviews rather than considerations of what course of action was required in order to survive. It became clear from the interviews that budgets were

continually being set aside and reformulated, but the annual budget itself appears to be a useful framework within which this was happening. What needs to be taken into consideration is that the interviews were conducted with practitioners who had survived the financial crisis and who were willing to talk about their experiences, which therefore impacts significantly upon the representativeness of the findings of this project.

What emerges nevertheless is a very interesting picture of adaptability and diversification in the context of a very challenging business environment. Several examples of best practice can be identified, suggesting that the annual budgeting process would appear to be alive and well within the hospitality sector. Perhaps more than anything else, however, this project presents findings about survivability rather than a more detailed critique of budgeting practices. A recurring theme throughout all of the interviews was that of 'we did what we had to do', and it would appear to be the case that the annual budgeting process proved to be a very useful framework within which survivability was facilitated.

Interview process

The interviews took place in the summer of 2013 with either the Financial Director or the Financial Controller for three separate UK-based hotel groups which together had a combined total turnover of approximately £177 million. The identities of the three groups will not be revealed, and the three organisations were quite different in background, geographical location and also in terms of the markets within which they operate. The interviews took place on a face-to-face basis at the place of work of the practitioners (with one exception), and the interviews were recorded and the interview transcripts were subsequently professionally transcribed. The interviewer also made notes during the interviews and additional notes at the end of each of the interviews. All of the interviewees had extensive experience of management control within the hospitality sector and all had been working within their current role for a fairly lengthy period (i.e. longer than five years).

Summary of the initial findings

A number of best practice indicators emerged from the interviews, including a very participative 'bottom-up' style approach to the budget setting process was identified where divisional managers were extensively involved in the budget-setting process, hence allowing for motivation towards target-setting in a very challenging environment

Regarding an annual budget cycle, one of the interviewees commented as follows:

"Well the (annual) cycle works quite well for us because...it all goes very quiet in January and the managers have got the time to spend on thinking carefully about their budgets in January, it is the quietest month of the year in terms of the hotels."

There also seems to be quite extensive use made of comparative data and benchmarking of occupancy rates and pricing through the various databases available, and all of the interviewees made reference to the use of comparative statistics. The use of comparative data in a recessionary

environment allows for some interesting reflections in so far as rather than using comparative statistics to aspire to best practice, it was commented upon by one interviewee that there was almost an ironic confirmation of 'the way things were' in using the statistics as follows:

"We use it [hotstats] to see where we are against the competitors... (as) that's a good benchmark to say well actually we are not as good as we want but we are doing better than the competitors, or we are not doing as well as our competitors, so we need to up our game."

The interviewees also confirmed that they made use of external forecasting guidance, such as the annual PwC (2012) forecast, which was useful at the strategic stage in trying to estimate medium-term trends within the sector. All the interviewees talked about the need for adaptability and diversification in order to respond to the loss of corporate business following the financial crisis. 'Growth' per se, however, was acknowledged as being very difficult in a declining market, and hence survivability was the main focus.

Whilst budgeting remains to be a complex and perplexing process, the underlying message from this brief project undertaken within the hospitality sector is that the annual

budgeting process has continued to be useful in facilitating management control, providing a reporting channel for owners, and also for motivating and ultimately helping to ensure the continued existence of the businesses and continued employment for staff.

Conclusions & acknowledgments

The initial interviews have generated some interesting findings which is part of an on-going research project looking at management control and performance measurement within the hospitality sector.

The author would like to thank the British Accounting & Finance Association (BAFA) Committee for Departments of Accounting & Finance (CDAF) for funding this research project. Considerable thanks are also acknowledged to Professor Lisa Jack for her inspiration, suggestions and comments throughout the duration of this research project, although the views expressed are of course ultimately those of the author.

Finally the author would like to thank the practitioners who very kindly gave up their time to participate in this project, and if a more detailed consideration of the findings of this project is required then please use the contact details on the first page of the article.

Are you PCI-DSS compliant?

Guestline's **PCI Manager** will provide you with all of the tools needed to achieve compliance with PCI-DSS and provide you with a secure mechanism to process cardholder not-present transactions.

PCI Manager will allow you to:

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- ⌘ Remove the need for storage of Payment Card Information

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Overview1013



Comply or die

Not really, but here are some prime reasons to ensure you do not get caught out with PCI compliance

Did you know that in 2012, 54% of all credit card breaches and fraudulent activity worldwide occurred within the accommodation and food and beverage industry?*

Regardless of the penalties any hotel could face from a compliance point of view, this statistic is still worrying and potentially very damaging to any business.

It is for this reason that the banks and acquirers such as Visa and MasterCard have made hotels and businesses within the hospitality industry agree to store their card data securely within their terms and conditions of the merchant services agreements. These payment card storage rules are through the Payment Card Industry Data Security Standard (PCI-DSS).

Acquiring Banks (E.g. Streamline, First data merchant services etc.) can be fined by the card schemes if their merchants are not compliant. They are now aggressively chasing and auditing businesses on their PCI compliance and the fines and penalties incurred can, if their targets are not reached, be passed on to the merchants. Non-compliance fees are being implemented via increased transaction percentages and monthly flat charges, variable by acquirer.

Guestline, who are providers of software to the hotel and hospitality industry, have outlined several key reasons for hoteliers to follow and ensure they are compliant and warns of the dangers and implications they face if they find themselves in breach of PCI compliance.

Reason 1 – Any business ‘touching’ credit card data MUST be PCI compliant.

The standard, which is set by the acquirers and banks means all business must be PCI compliant.

Many hotels self-assess as being compliant with the PCI-DSS without considering the delivery of reservations to them from third parties. If you are using an external supplier to process your credit card information, whether through a channel manager or booking engine, and they are not compliant your business WILL NOT be compliant either.

Guestline are the only total solution provider to the hospitality industry who ARE PCI Level 1 compliant. It is important to check all your suppliers before it is too late! Ask them today.

Reason 2 – Becoming PCI compliant will MAKE you MONEY!

Storing payment card details enables you to charge for lost revenue through cancellation charges and take payment for no show fees. This can represent a significant percentage of revenue for some properties.

Guestline’s PCI Manager software has the ability to provide a complete check on all cards to ensure they are not fraudulent and that they are valid for use. The card data is then securely stored with a Payment Service Provider who are assessed as PCI-DSS Level 1 Service Providers, completely removing the need for the hotel to store card data. This dramatically reduces the cost and complexity of maintaining compliance, as well as reducing the risk to the business from breached card data.

Marstons hotel group installed Guestline’s PCI Manager and were able to generate £147,000 of no show revenue (in

nine months) as a result of automated payments. Previously they had not been taking payments as it was too costly to take guarantees.

Reason 3 – Becoming PCI compliant will SAVE you MONEY

Using Guestline’s PCI Manager Software will save money by significantly reducing the liability and opportunity for charge-backs due to fraudulent activity.

Fines imposed for not being compliant will vary depending on the bank or acquirer. Barclaycard, for example, have been known to charge £500 per month for non-compliance, whilst other banks may charge an additional percentage fee on each transaction.

In addition, if a hotel is storing card data and is breached, the following cost will need to be met:

Average cost for investigation, remediation and compensation after a breach is £85 per individual card record breached.

Fines from the card schemes and acquiring banks, which can range up to \$250,000.

After a breach, the merchant will be required to have an annual assessment from a Qualified Security Assessor. Daily fees for QSA are generally in excess of £1000 per day, + costs. There is also a massive risk of damage to reputation and commercial value. The damage this would do to your reputation and potential lost revenue could be catastrophic for a business, regardless of size.

Reason 4 – Potential loss of existing and new business

Hotels are beginning to find during corporate rate negotiations that compliance with PCI-DSS is a pre-requisite for winning the business. Large corporates who have been through stringent assessments of compliance do not want to compromise their own compliance by passing card data on to hotels who are not storing it securely. Therefore non-compliance is resulting in

many businesses losing out on extremely valuable contracts. These reasons all make a good case for maintaining PCI-DSS compliance. Guestline has developed a very simple, efficient and completely compliant solution for hotels and hospitality businesses in order to address all these issues, save money and generate revenue. The Guestline PCI Manager will provide you with all of the tools you need to achieve compliance with PCI-DSS and provides a secure process for cardholder not-present transactions.

The PCI Manager is a combination of technology and business processes aimed at achieving compliance in a structured, easy to follow format.

Benefits of PCI Manager:

Enables you to take deposits from customers over the phone or via your website in a secure manner
Permits you to apply cancellation charges for no show bookings without the need to store cardholder data

Offers advanced purchase rates and securely captures revenue

A service to help the hotel achieve PCI security

The service includes:

Security scans

Site visits from engineers

An information security policy, tailored to hotel operations

Online training tools for staff in card handling processes

Checklists for initial compliance tasks, along with quarterly and annual checklist for maintaining compliance

Self-Assessment completion guidance and advice

*Source Verizon Data Breach investigations report 2012

→ SCHOLARSHIP WINNERS



All the 2013 recipients of 'HOSPA's Career Investment Development Scholarships' were pictured at HOSPACE 2013 with HOSPA Chairman Paul Dukes (pictured centre), who is also Chairman at Kew Green Hotels. The scholarship winners are from left to right: Andrew McArdle, a BA (Hons) undergraduate in International Hospitality Management at Bournemouth University; Carl-Johan Roll, studying for an Associate Degree in Hospitality Administration at Glion Institute of Higher Education London; Samantha Lim, Accounts Assistant, Radisson Blu Hotel Liverpool; Luna Wang, studying for a BSc (Hons) in Tourism Management at the Hong Kong Polytechnic University, and currently attending Oxford Brookes University as part of an exchange programme; Marine Mortin, a BA (Hons) undergraduate in International Hospitality Management at University of West London; Tianyue Qiu, a BSc (Hons) undergraduate in International Hospitality Management at University of Surrey; and Roxane Guilbot, studying for a BA (Hons) in International Hospitality Management at University of Brighton.

Caps in the air

The winners of the 2013 'Career Investment Development Scholarships' of HOSPA – the UK's leading educational organisation for hospitality professionals involved in Financial Management, Revenue Management and IT – were announced on Thursday (21 November) at HOSPA's Annual Conference and Exhibition, HOSPACE 2013, held at the Sofitel Hotel, London Heathrow at Terminal 5.

The winners – all under 30 years of age – were nominated by: Lisa Yang, Cluster Financial Controller, Radisson Blu Manchester Airport and Radisson Blu Liverpool; Andrew Boer, Associate Dean, Bournemouth University; Cathy Burgess, Senior Lecturer in Accounting, Oxford Brookes University; Peter Alcott, Course

leader for International Hotel Management (UG) and Senior Tutor, University of Surrey; Helen Atkinson, Principal Lecturer, University of Brighton; Mia Touzin, Field Leader, Hospitality and Event Management, University of West London; and Georgette Davey, Dean at Glion Institute of Higher Education London.

All the 2013 HOSPA scholarship winners won the opportunity to learn from, be noticed and publicly recognised at the prestigious annual HOSPACE 2013 Conference and Exhibition.

Commenting on the scholarship winners, HOSPA Chief Executive Carl Weldon said: "We are delighted to welcome our scholarship winners to HOSPACE 2013 – the largest and most prestigious annual gathering of like-minded hospitality practitioners in the UK. The HOSPA Career Investment Development Scholarships give hospitality students – and those at the beginning of their careers in hospitality finance, revenue management and IT – an invaluable platform for enhancing learning and networking with top industry experts, whilst gaining recognition from the hospitality profession at large. The awards confirm HOSPA's ongoing commitment to the future of the industry."

London growth boosts sales

Britain's pub and restaurant groups saw collective like-for-like sales edge up 1% in October on the same month last year, fuelled mainly by a strong London market. Collective like-for-likes inside the M25 were ahead 2.3%, according to latest figures from the Coffer Peach Business Tracker.

"It was a better overall performance than September, when like-for-likes grew just 0.4%, but practically all the underlying growth in the eating and drinking out market is coming from London. Outside the M25 saw only a modest 0.4% like-for-like rise in October," said Peter Martin of CGA Peach, the business insight consultancy that produces the Tracker, the sector's most comprehensive performance barometer, in partnership with Coffer Group, Baker Tilly and UBS.

Total sales across the 27 companies contributing to the Tracker grew 3.9% during October, reflecting the continued roll-out of new sites.

"That top line growth is particularly marked outside of London. While like-for-like growth is harder to find away from the capital, new site openings, particularly from casual dining chains, are maintaining total sales momentum," added Martin.

In general, casual dining had a tougher October than pubs and bars. Although restaurant chains in London were in positive growth, nationally LFL sales were down 0.7% for the month.

"The pub and bar market has been performing particularly strongly in London. Pubs in the capital saw LFL growth of 3.7% in October. While pub restaurants outside also saw growth, drink-led pub sales outside of London were flat," said Martin.

"The buoyancy of the London economy is certainly helping the sector, and pubs in particular," he said. "There is a different pub and bar culture, especially after work, in the capital, but the question for pub groups is whether there is something else about London pubs that can be exported to re-energise their estates in the rest of the country?"

"For casual dining chains the question is more about whether their focus on new site openings outside of London is affecting their like-for-like performances in established sites?," said Martin.

The longer-term trend for the managed pub and restaurant sector is positive, with year-on-year like-for-likes for the 12 months up to the end of October running at 1.5% up on the previous 12 months, with total sales growth running at 4.5% up.

David Coffer, chairman of The Coffer Group, said: "The market continues to show positive signs of growth and while this month the numbers are distorted slightly by strong performance in London, we only have to go back to the August when LFLs outside the M25 outstripped those within. It is challenging to achieve sustained growth regardless of location, however, what is particularly positive is that nationally we have seen collective LFLs rise in each of the last six months – albeit at times by very small amounts. The question going forward is whether this trend continues."

Paul Newman, head of leisure and hospitality at Baker Tilly also picked up on this being the seventh consecutive month of like for like growth, "driven by another strong performance in the London market". He said: "On the back of Hutton Collins' acquisition of Byron, to become the latest private equity backed transaction in the restaurant sector, followed by the successful flotation of Everyman Cinemas on the public markets, we see these results as lending further support for the continuation of corporate activity into 2014."

Jarrold Castle, leisure analyst at UBS Investment Research, observed: "Like for like growth last month was ahead of the year to date average, but perhaps slightly disappointing given comps were fairly weak against last October. However, this was still an improvement on September. Growth continues to be driven by London, and we have seen this trend in eight months so far this year. Comps get slightly tougher next month so this improvement may be short lived."

The Coffer Peach Tracker industry sales monitor for the UK pub and restaurant sector collects and analyses monthly performance data from 27 operating groups, and is recognised as the established industry benchmark.

Pub and restaurant group monthly sales performance for past 12 months

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
LFLs	3.4%	0.3%	-2.4%	3.3%	-3.0%	0.1%	1.2%	1.9%	1.3%	1.9%	0.4%	1.0%
Total	6.5%	3.2%	0.0%	6.1%	-0.2%	2.8%	4.5%	4.8%	3.6%	5.1%	3.1%	3.9%

Source: Coffer Peach Business Tracker. Coffer Peach Business Tracker is powered by Demographix

For more information please contact

Peter Martin, Peach Factory | 01704 550383; 07889 209896 | peter@peach-factory.com



Mixed in the Midlands

Beginning with this edition of the HotStats UK Chain Hotels Market Review, we will focus each month on key cities and regional performance to provide our readers unique and in-depth knowledge of the UK hotel market.

Revenue down but profit stable in the West Midlands

Despite positive performance overall in the provinces, West Midlands hoteliers showed that total revenue and profit growth is not always equally distributed with this region experiencing challenging trading conditions in October, according to the latest HotStats survey.

Notwithstanding a 1.0% increase in average room rate (ARR), revenue per available room (RevPAR) remained unchanged at £50.74 due to a 0.7 percentage point drop in occupancy at 72.4%. With leisure revenue per available room remaining flat, meeting room hire per available room was the only department showing a positive movement of 4.4%; revenue per available room derived from food and beverage decreased by 1.2% and 0.5% respectively. As a result, total revenue per available room (TrevPAR) decreased by 0.4% to £103.36.

Nevertheless, hoteliers achieved a 0.5% increase in departmental operating profit per available room (DOPPAR) to £59.10, with payroll decreasing slightly as a percentage of total revenue. Operators' ability to efficiently manage operational costs helped to maintain gross operating profit per available room (GOPPAR) at £34.96, despite overheads rising by 1.4%.

London confirms rebound with a second consecutive month of strong performance

In October, hoteliers in London confirmed their rebound with total revenue and profit increases per available room of 6.0% and 8.5% respectively compared to the same month last year, according to the latest HotStats survey.

Although occupancy remained flat at 87.2%, a surge in ARR of 7.2% to £158.57 boosted RevPAR by 7.1%. Ancillary revenues also experienced growth per available room, most notably from food (+4.7%) and meeting room hire (12.6%), leading to a TrevPAR increase of 6.0%. This uplift was enhanced by operational costs control with rooms and food and beverage conversion increasing by 0.5 of a percentage point to 79.7% and 2.4% percentage points to 40.1% respectively. With overheads remaining stable and payroll decreasing by 1.5 percentage points, GOPPAR increased by 8.5% to £98.57.

The calendar year performance showed a minor 0.5% increase in RevPAR but this gain was not enough to reverse the GOPPAR decline of 2.7%, demonstrating once again the importance of looking beyond rooms KPI.

Bristol amongst the best performing markets

Hoteliers in Bristol experienced positive movements across all headline performance indicators in October compared to the same period last year, according to the latest HotStats survey. Both increases in occupancy – up 3.8 percentage points to 77.7% - and in ARR – up by 2.0% to £73.58 - led to a 7.3% surge in RevPAR. With growth in all non-rooms departments, TrevPAR rose by 9.6% to £98.92. Astute cost control contributing to a 12.1% increase in DOPPAR and payroll efficiency enhanced the overall performance to a stunning year-on-year increase of 22.7% in GOPPAR.

On a calendar year basis, October confirmed a great period so far for Bristol hoteliers reflected in an increase in TrevPAR and GOPPAR of 6.4% and 10.4% respectively.



The month of October 2013

THE WEST MIDLANDS

	Oct'13	Oct'12	Var b/w	
Occ %	72.4	73.1	-0.7	▼
ARR	70.10	69.38	1.0%	▲
RevPAR	50.74	50.69	0.1%	▲
TrevPAR	103.36	103.73	-0.4%	▼
Payroll %	29.0	29.1	0.1	▲
GOP PAR	34.96	34.99	-0.1%	▼

LONDON

	Oct'13	Oct'12	Var b/w	
Occ %	87.2	87.2	-0.1	▼
ARR	158.57	147.99	7.2%	▲
RevPAR	138.26	129.11	7.1%	▲
TrevPAR	193.67	182.65	6.0%	▲
Payroll %	20.8	22.3	1.5	▲
GOP PAR	98.57	90.86	8.5%	▲

BRISTOL

	Oct'13	Oct'12	Var b/w	
Occ %	77.7	73.9	3.8	▲
ARR	73.58	72.13	2.0%	▲
RevPAR	57.17	53.27	7.3%	▲
TrevPAR	98.92	90.22	9.6%	▲
Payroll %	28.8	31.0	2.2	▲
GOP PAR	32.37	26.38	22.7%	▲

The Calendar year to October 2013

THE WEST MIDLANDS

	YTD'13	YTD'12	Var b/w	
Occ %	66.9	64.9	2.0	▲
ARR	67.00	67.29	-0.4%	▼
RevPAR	44.81	43.68	2.6%	▲
TrevPAR	92.19	91.81	0.4%	▲
Payroll %	31.9	31.7	-0.2	▼
GOP PAR	26.36	26.84	-1.8%	▼

LONDON

	YTD'13	YTD'12	Var b/w	
Occ %	82.7	80.9	1.7	▲
ARR	144.29	146.58	-1.6%	▼
RevPAR	119.27	118.63	0.5%	▲
TrevPAR	163.94	163.94	-0.1%	▼
Payroll %	23.8	24.2	0.4	▲
GOP PAR	75.41	77.48	-2.7%	▼

BRISTOL

	YTD'13	YTD'12	Var b/w	
Occ %	73.3	68.5	4.8	▲
ARR	70.84	70.72	0.2%	▲
RevPAR	51.92	48.46	7.1%	▲
TrevPAR	87.40	82.15	6.4%	▲
Payroll %	31.5	32.5	0.9	▲
GOP PAR	23.85	21.61	10.4%	▲

The twelve months to October 2013

THE WEST MIDLANDS

	Rolling'13	Rolling'12	Var b/w	
Occ %	65.9	64.0	1.9	▲
ARR	66.86	67.42	-0.8%	▼
RevPAR	44.05	43.12	2.2%	▲
TrevPAR	92.26	92.06	0.2%	▲
Payroll %	31.9	31.4	-0.5	▼
GOP PAR	26.54	27.10	-2.0%	▼

LONDON

	Rolling'13	Rolling'12	Var b/w	
Occ %	81.8	80.2	1.7	▲
ARR	143.35	145.83	-1.7%	▼
RevPAR	117.32	116.92	0.3%	▲
TrevPAR	163.35	163.50	-0.1%	▼
Payroll %	24.0	24.2	0.2	▲
GOP PAR	75.27	77.25	-2.6%	▼

BRISTOL

	Rolling'13	Rolling'12	Var b/w	
Occ %	72.4	67.9	4.5	▲
ARR	70.68	70.91	-0.3%	▼
RevPAR	51.15	48.14	6.3%	▲
TrevPAR	87.93	83.50	5.3%	▲
Payroll %	31.5	32.0	0.5	▲
GOP PAR	24.24	22.39	8.3%	▲

Members' Events

Forthcoming events



Coming soon...

Dec 19

HOSPA Annual Awards Lunch 2013

**The Landmark London hotel
222 Marylebone Road, London,
NW1 6JQ).**

Come and celebrate with HOSPA! Enjoy a delicious seasonal lunch at the Association's Annual Awards Ceremony with awards for hospitality's best practitioners in Finance, Revenue Management and IT as well as the most successful learners of the year from the HOSPA Education Programmes.

Members: £85
Non-Members: £92
Table of 10: £895

To book your place at this event, please contact Wayne Gosden by email to wayne.gosden@hospa.org or telephone 01202 889430.

Feb 10

HOSPA IT Members' Meeting - Communications and the PBX - What's the future?

**London
6:00pm to 8.30pm Venue TBC.**

Registration is necessary to attend. To register your place at this event, please email wayne.gosden@hospa.org with your details.

May 12

HOSPA IT Members' Meeting - The Next Technology Challenge - What's happening in other sectors

**London
6:00pm to 8.30pm Venue TBC.**

Registration is necessary to attend. To register your place at this event, please email wayne.gosden@hospa.org with your details.

Sept 22

HOSPA IT Members' Meeting - Technology Trends in Hospitality including news from HITEC

London - 6:00pm to 8.30pm Venue TBC.

Registration is necessary to attend. To register your place at this event, please email wayne.gosden@hospa.org with your details.



HOSPA

Hospitality Finance, Revenue and IT Professionals
Education & Training

Enrolling now for the HOSPA Education Programmes in Financial Management and Revenue Management for intakes for February 2014



The HOSPA Education Programmes provide a framework for developing the skills and knowledge needed at first-line and middle management levels. Our courses have been developed by leading educators in the appropriate field of expertise in conjunction with hospitality industry experts.

Ideal as a stand-alone education programme or one that can sit alongside your existing in-house training, this suite of courses is pitched at undergraduate level and acknowledges the increasing significance of encouraging employees to not only obtain appropriate qualifications, but also to continue in full-time work – earning while learning.



Studying in their own time, learners are supported by a study pack, online classroom resources including EBSCO and subject tutors, plus all learners are encouraged to have a work-based mentor. Our study materials utilise both contemporary terminology and professional examples from the industry, together with a mix of work-based and academic assessments. This means that learners can apply what they learn directly to their workplace.

Each programme is studied in three separate stages, each taking six months to complete.

For more information call Debra Adams, Head of HOSPA Education Services, on 01202 842809 or visit the HOSPA Education pages at: www.hospa.org/education/education-and-training-programmes

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- PAR Springer-Miller
- Portfolio International
- PricewaterhouseCoopers
- Rate Tiger
- Rio Communications

- RMG Enterprise Solutions
- Sabre Hospitality Solutions
- STR Global
- The NAV People
- The Ritz Hotel, London
- Xn Hotel Systems

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- Hotel Technology Next Generation
- Smart Report

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- HFTP

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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HOSPA Annual Awards Lunch

The Landmark London Hotel | Thursday 19th December 2013



Come and celebrate with HOSPA! Enjoy a delicious seasonal lunch at the Association's Annual Awards Ceremony with awards for hospitality's best practitioners in finance, revenue management and IT as well as the most successful learners of the year from the HOSPA Education and Training Programmes.



To find out more please contact Wayne Gosden at HOSPA

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