THE OVERVIEW

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VAT – cost or opportunity for the hotel industry?

Do you have the A-Team in your hotel?

Making Europe's hotel industry more sustainable

Welcome to THE OVERVIEW

The economy appears to be slowly improving and the UK is buzzing with preparations for the Olympics and Paralympics with not only all the wonderful new facilities in East London and around the provinces ready to go, but also road improvements and refurbishments throughout, all helping to build the mounting anticipation as we wait for the greatest show on earth to come to town. What a boost for the UK hospitality industry!

Our feature article this month by Alan McLintock at HOSPA Gold Patrons, KPMG, reminds us that we should be ever vigilant to opportunities for saving costs with the focus in this article, on VAT issues.

At this year's Hotelympia the 'HOSPA Hub' provided a temporary HQ for members, past and present, to drop by, renew acquaintances and also take time out to enjoy the daily master class sessions. Our thanks to our speakers and everyone who took part - and don't worry if you couldn't get along to the event as our speakers have kindly summarised their presentations in this issue.

If you haven't done so yet don't forget to check out the HOSPA website for all the latest events and the dedicated community areas.

Enjoy this issue!

Editors apology: The article 'The Widening Gap' published in the February edition was reprinted with permission from HotelExecutive.com

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In March's issue...

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BAHA Moving Forward

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ALAN MCLINTOCK

Value Added Tax: cost or opportunity for the hotel industry?

This article is intended to help shine some light into certain areas where you might be overpaying VAT and perhaps can make a claim to get some money back, or alternatively underpaying VAT and thus building up hidden risks that at some point might jump out and unpleasantly surprise.

I had the pleasure of attending the last HOSPA conference and more recently one of the HOSPA breakfast sessions and it is very clear from these how much attention and passion goes into Revenue Management, the cost of different distribution channels and the different products that will help HOSPA members to best manage and increase profitability. What has not been as obvious though is an awareness of VAT and how VAT impacts your wider commercial relationships, marketing and Revenue Management strategies. This article will hopefully highlight some of the ways that VAT can deliver, on otherwise apparently identical deals, very different margins on an "after VAT" basis.

Let's first set the scene and help prepare you for a dive into the world of VAT. In an important Court of Appeal ruling (Royal & Sun Alliance Insurance Group plc), Lord Justice Sedley wrote in his analysis "Beyond the everyday world,…… lies the world of value added tax (VAT), a kind of fiscal theme park in which factual and legal realities are suspended or inverted." What this implies is that there may be a number of possible VAT answers, not all of which (or any of them) may appear as the easy or obvious one.

Cancellation charges

It is no doubt frustrating to have guests cancel rooms at short notice and most hotels will at some point or another charge a cancellation fee. While the supply of a hotel room clearly is subject to VAT, what exactly is a cancellation charge and what is the hotel supplying in return for the right to receive it? There have been different cases on this, but, in the most recent one, the tax authority argued that what the hotel was providing was the right to the room and thus the deposit was a payment for that right (and subject to VAT). The court disagreed and decided that, while the deposit may be used to ultimately pay for a supply of accommodation, there was no taxable sale it could be payment for when a guest never actually stayed. It was instead retained as compensation for breach of contract and thus VAT free. KPMG has also had success in extending this principle into different situations which may have slightly different facts from the most recent case (not every cancellation is necessarily the same, what if the room is guaranteed or if the customer stays for one night but not the three nights originally booked?). ***Key takeaway 1 – are you overpaying VAT on cancellation fees?***

Delegate day rate room hire

Unless you have notified HMRC that you have "opted to tax", some of the VAT paid on delegate day rate charges may be recoverable. ***Key takeaway 2 – are you overpaying VAT delegate day rate charges***

Fraudulent transactions

Turning now to the fraudster, whether via stolen or cloned credit card, debit card, cheque or even counterfeit money; has a valid supply of goods or services been provided and if so, what payment has been received which is subject to VAT? There are many variations and permutations of fraud that need to be considered (card holder present or not, is Verified by Visa or similar adopted by the hotel, has any compensating payment been made to you by a third party, etc). KPMG is taking a lead case on the interaction of VAT and fraud and there may be an opportunity for your business to recover VAT paid on fraudulent transactions. ***Key takeaway 3 – are you overpaying VAT on fraud?***

Cash back

How about Quidco or similar cash back sites? The consumer signs up to these sites and then buys hotel rooms or any other products, but gets £10 or 1% or some other amount back from the cash back site. There are relationships between the hotels and the cash back site, whereby payment is made by the hotels (there may be more than one intermediary between the consumer facing cash back site and the suppliers). There is a case law that sets out that VAT should only be accounted for on the actual price paid by the customer and, applying that principle to cash back sites, the hotel should only account for VAT on the price received, less the customer cash back. It may be that certain agreements might need to be reworded, but this is an opportunity to reduce the amount of VAT paid on rooms distributed to customers buying via cash back sites. ***Key takeaway 4 – are you using cash back sites and is there an opportunity to reduce your VAT?***

The above points are only a few of the potential opportunities that KPMG brings to its clients with which they can increase margin and generate VAT savings. Please remember that claims for incorrectly paid amounts can often be made retrospectively for up to four years and so, a substantial amount can build up. As importantly, KPMG understands both how to best position these claims with HMRC and the evidential requirements and information/documentation required for a successful claim. ***Key takeaway 5 – should you consider a VAT opportunities review to identify possible VAT savings?***

Let's leave the VAT opportunities to one side and look, instead, at some of your different distribution channels and how your margin or return from each channel can be impacted by VAT:

Commissions

• What value is that commission % applied to? Some commissions are applied to the VAT Exclusive room rate (VE), others to the VAT Inclusive room rate (VI).

• The VI basis is much easier for distributors to use, because they do not need to keep track of local taxes which are always changing.

• But take a room rate of £100 before VAT: On a VI basis, a 10% distributor would have earned commission of £11.50 @ VAT of 15% (hotel margin being £88.50 (£115 - £15 VAT paid to HMRC - £11.50 commission)); £11.75@ VAT of 17.5% (hotel margin being £88.25) and £12 @ VAT of 20% hotel margin being £88.00), all without any changes in the contract. So every time the VAT rate increases, you have to pay a bigger commission in cash terms to your distributor while potentially earning less margin (where customer price is increased only by the actual VAT increase). ***Key takeaway 6 – do you compare the after VAT margin you make from each of your key distributors and do you automatically pay more when the VAT rate goes up?***

Another distribution channel issue is where the room is distributed via third party distributors on a pre pay model (e.g. online travel agencies, travel agencies and hotel aggregators in different forms).

• How much of your travel inventory is distributed on a pre pay basis where a "net rate" cash amount is passed back to you by the distributor? What value should you account for VAT on? While depending on the exact supplier and contract wording, you should in some circumstances account for VAT on the full price paid by the customer to the distributor, not just the net cash received by you from the distributor. Please note that in many cases, but not all, accounting for tax on the net rate may well be correct.

• Let's take an example, on a £70 net rate, a hotel would account for £11.67 VAT (assuming £70 is inclusive of VAT). If instead tax is actually payable on the full £100 paid by the end customer, then a hidden unpaid VAT liability of £5 will exist on that transaction.

• If instead the hotel is selling the room to the distributor who in turn sells on the room to the end customer, then it is probably correct to account for VAT only on the net cash payment passed over by the distributor. ***Key takeaway 7 – are you paying the right VAT at the right time to HMRC on pre pay rooms? Should you compare after VAT margins on your key distributor agreements?***

"Deal of the day" email vouchers

In recent years, businesses operating deeply discounted "deal of the day" electronic vouchers have sprung up which bring to your hotel the ability to make offers to hundreds of thousands of

subscribers. I am carefully staying away from any specific brand or commenting on the many views that exist, whether good, bad or indifferent on the underlying voucher business model. However the model usually involves:

• The hotel agrees to a deeply discounted hotel price for the end customer (say £120);

• The voucher company includes the offer on its daily deals email which it sends to its subscribers (the customers);

• The customer clicks on the offer, pays the deeply discounted voucher price of £120 to the voucher business;

• The voucher business keeps 50% of the cash received (£60) and remits the net balance (£60) to the hotel;

• The voucher business may keep "breakage" on non redeemed vouchers (£120);

Should your hotel be accounting for VAT on £120 or on the £60 or (for breakage) on £0? The answer is that it depends on exactly how the voucher business has structured its operations, is it selling a voucher for VAT purposes and what type of voucher is it (vouchers are a complex area of VAT). What I can say is that in some voucher deals I have come across, the hotel's liability would have been on the £120 (i.e. £20 VAT) whether it received only the £60 or even nothing, where breakage was involved. This is an extremely complex area but one where it is very easy to underpay or overpay VAT. ***Key takeaway 8 – do your voucher arrangements need reviewed to ensure you pay the correct but least possible VAT?***

Tour Operators Margin Scheme ("TOMS")

TOMS is a somewhat convoluted and very complex VAT scheme that will apply where a hotel buys in and sells on as principal passenger travel or accommodation. The outcome is that the margin on such transactions is subject to UK VAT but that no VAT is recoverable on any directly associated cost.

This is not a topic that most hotels are conscious of and it may come as a surprise to find that one of the leading TOMS cases at the European Court of Justice involves a hotel that hired a coach to take its guests on special excursions. It was found to be in TOMS and thus suffered an unforeseen VAT cost on what was for it an important source of revenue. How might it apply to you? Some of the larger hotel chains now have sections where customers can buy weekend breaks including flights. Whether the hotel is subject to TOMS is likely to depend on how its contract with the 3rd party provider/arranger is drafted (i.e. is any holiday actually provided direct to the customer by the 3rd party (if so TOMS should not apply as the hotel is earning a commission of some shape or variety)). Many of the 3rd parties who might be contracted to do this understand VAT very well and it may be worth reviewing your agreement to see if it makes it crystal clear who is doing what for whom.

Alternatively, your hotel may arrange excursions and buy in the coach or other transport which you sell to your guests; if so, then you may well be in TOMS. ***Key takeaway 9 – do your arrangements with 3rd party short break providers need reviewed to ensure you are not subject to TOMS or your arrangements where you arrange transport or entry to events?***

The above has been a very quick review of some of the VAT complexities that touch the hotel sector, but I hope it has given you an understanding of at least some of the VAT opportunities and risks that potentially exist and an understanding of how VAT might be impacting your hotel or business.

Alan McLintock

Indirect Tax Director, KPMG

Alan McLintock is an indirect tax director with KPMG and advises clients across the travel and leisure sector on VAT. Alan has over 20 years of VAT experience, including leading "in house" tax teams in travel and as a Senior Officer with HM Revenue & Customs. Should you wish more information on any of the above issues or would like to discuss a VAT opportunities review then please contact Alan via alan.mclintock@kpmg.co.uk or on +44 207 311 5707. KPMG is proud to be a Gold Patron of HOSPA.

→ UGO TOSELLI

Making Europe's hotel industry more sustainable: 5 changes to watch... and a bet to take in 2012

Ugo Toselli, Partner at Paris-based ECO2 Initiative, argues that 2012 may well be the year that European hotels really benefit from their strategic engagement in sustainability.

After many decades of growth based on intensive use of resources, Europe is facing the dual challenge of stimulating the growth needed to provide well-being to its citizens and of insuring that the quality of this growth leads to a sustainable future. Turning these challenges into opportunities for its economy, Europe requires a fundamental transformation within a generation in energy, industry, transport, agricultural systems and in producer and consumer behaviour. Since the adoption of the Kyoto Protocol in 1997, Europe has officially taken the lead in the Western world in tackling global warming and greenhouse gas (GHG) emissions. The first period of emission reduction commitments expires at the end of 2012. Even though the hospitality industry has never been considered a major source of GHG emissions, a decarbonisation process is now definitively engaged for all European industries.

Change 1: A legal framework concerning energy efficiency in buildings will make itself felt more and more

In 2007, EU leaders endorsed an integrated approach to climate and energy policies and committed to transforming Europe into a highly energy-efficient, low-carbon economy. They made a unilateral commitment that by 2020, Europe would cut its emissions by at least 20% of its 1990 levels, to be implemented through a package of binding legislation. On their roadmap for moving to a competitive low carbon economy, EU member states have committed themselves to reducing GHG emissions by 20%, increasing the share of renewables in the EU's energy mix to 20% and achieving a 20% energy efficiency target by 2020. The EU is currently on track to meet two of these targets, but will not meet its energy efficiency target. No need to draw a picture here: in 2012, further efforts will be made by member states to achieve energy efficiency.

Nearly 40% of final energy consumption is in houses, public and private offices, shops, restaurants, hotels and other buildings. In most cases, two thirds of this usage goes into space heating. The energy saving potential is there, and techniques exist to cut existing buildings' consumption by 50% - 75%. But the renovation rate of buildings is too low and the barriers to energy efficiency need to be overcome. Promotional systems for the private sector will take place shortly, depending on the member state, aiming to encourage investments in energy efficiency solutions. In 2012, informed hoteliers will need to stay connected in order to identify these solutions and transform legislative action onto real product enhancement opportunities.

Change 2: Energy costs will weigh more heavily in operational budgets

In Europe, where deregulation is now effective for all countries, market liberalisation is more synonymous with increases. After having reached a peak in August 2008, the cost of electricity production in Europe has been increasing regularly. In the period from May 2009 to March 2011, the Platts pan-European price index has increased by 62%. Rising prices of underlying fuel used for power production, sensitivity to nuclear alternatives and stronger environmental legislative pressure are among the most serious reasons why electricity prices will continue to increase steadily each year, regardless of the demand.

Air conditioning, heating and lighting alone can represent up to 80% of a hotel's utility bill. Electricity use accounts for 60% - 70% of the utility cost and is usually considered as an "expenditure required anyway" to satisfy guest experiences. A room in an Accor budget segment hotel consumes 5,000 kWh a year, while a mid-scale room consumes 8'000 kWh and a luxury one about 25,000 kWh. The more comfort a hotel is offering its customers, the higher the electricity bill. The electricity bill of a 5-star hotel in France is about 2,000 € per room, per year. On a time scale of one year, and considering a RevPAR of 600 € in a 5-star hotel of 160 rooms, the first 500 rooms sold are entirely dedicated to paying the electricity bill. This situation is not sustainable. In 2012, facing increasing electricity prices again and a legislative framework encouraging energy efficiency, European hoteliers will dedicate particular attention to reducing their energy consumption while maintaining their level of services.

Change 3: Leisure and tourism will be among the segments to suffer most from rising energy costs

Hospitality and tourism industries are among the most important industries in our world. About 1 billion people are travelling per year and this largest migration in human history is repeated every year, generating almost $1 trillion. 10% of the world wide GDP and employment depend on tourism. But this giant has its Achilles heel. In his extensive Report on the Economics of Climate Change, Sir Nicholas Stern indicates that business-as-usual behaviour will increase the cost of climate change to the equivalent of around 20% in consumption per head, now and in the future. Of course, tourism is very sensitive to weather. But beyond weather sensitivity, climate change is deeply modifying the way we are consuming tourism. As the Stern review explained, 20% less consumption will reduce discretionary resources available to consumers for tourism.

At the same time, tourism mobility is affected by national and European policies to reduce GHG emissions. Beginning 1st January 2012, the inclusion of the European Union Emissions Trading Scheme for flights of all airlines from and to European airports will be a reality. European airlines want their foreign competitors held to the same environmental standards they have to meet, because buying carbon credits increases ticket prices. Brussels has estimated the increase as between 2 and 12 € a flight. Increasing transportation costs changes the structure of the journey by changing the mode of transport. As a consequence, mainstream tourism consumption may concentrate in regional markets, benefiting regional actors. In 2012, European hoteliers might begin to take the opportunity of focusing their commercial efforts on local markets in order to capture new customers.

Change 4: Customers will be better informed and more demanding

Beyond the environmental education of new generations that will deeply change consumer behaviour in the coming years, numerous actions during the last few years have already led to modified buying processes – even if only slightly. Among these are environmental labeling initiatives conducted by many different industries and product manufacturers. Ten years ago, people didn't ask for environmental information about what they were buying. They simply didn't care. Today, you find such information displayed on products like energy-efficient light bulbs, on energy-saving tires, on your flight ticket, or even at Marks & Spencer.

Customers who follow only these recommendations do not exist. But those who consider that information in addition to price, quality, brand and reputation will soon become the norm. Since 1st July 2011, a national experiment is being carried out in France to inform consumers through environmental labeling for at least one year. Under specific European Commission guidelines, the label will involve displaying the carbon footprint of products for sale across all sectors, incorporating both products that are manufactured and consumed in France and products that are imported into the country for consumption. In 2012, European hoteliers will make a special effort to identify their environmental assets in order to stay connected to better-informed customers.

Change 5: Supporting suppliers will make hotels stronger

Procurement professionals are now integrating sustainable criteria into their sourcing decision. Organisations are vulnerable if they do not identify potential risks they are taking through inappropriate sourcing decisions, especially regarding environmental and social issues that are very opinion-sensitive. Sustainable supply management continues to be the key process that helps to transform the choice of supplier into a competitive advantage. "Helping" means more than respecting payment deadlines. It involves building a stronger relation with suppliers through a partnership approach dedicated to a tight collaboration between the buyer and the supplier.

This approach brings together principles of Corporate Social Responsibility and supply management to strengthen the quality of delivered products and services on a sustainable basis. When chefs from all over the world decide to engage a strong relationship with a small but high-quality food supplier from their regional market, they strengthen their offer while helping an artisan to continue his work. At Ansamble, a regional catering company based in France, Romania and Morocco, they decided to source a large proportion of their vegetables from local and organic suppliers. In order to stabilise the purchase price of products usually priced more expensively, they signed long-term agreements with their best suppliers, stipulating advance payment, in order to encourage them to continue their quality work. In 2012, European hoteliers will take the time to find out more about their suppliers in order to define how to enhance their offer through global partnership for sustainability.

Hopefully, 2012 will be a year of economic rebound for Europe and for the world. Many things will occur and we will see if what is presented above will be part of the movement. To be honest, most of those changes have already begun as 2012 is already on track. Finally, the variable that will make all the difference, or not, are the hoteliers themselves. Will he/she be able to overcome the pitfalls of everyday life and initiate true long-term thinking? If he/she realises that "business as usual" behaviour will lead him/her to the wall, I'm betting he/she will.

This article originally appeared in The Hotel Yearbook 2012 (www.hotel-yearbook.com) and is reprinted with permission of the publishers.

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→ PAUL VAN MEERENDONK

Building Your Own 'A-Team'
to Achieve Revenue Management Goals

Paul Van Meerendonk, Manager of Hospitality Consulting at IDeaS Revenue Solutions, gives his light-hearted take on using teamwork to build a successful Revenue Management culture within your organisation.

There is a common perception that Revenue Management professionals are solitary 'numbers' people who tend to prefer producing reports and analysis over dealing with other people. Of course, to call this a generalisation is an understatement - many of the Revenue Managers I know are highly sociable people. Yet, there is an undercurrent of truth to this statement when it comes to how Revenue Managers view their job role - many restrict their scope to systems, complex analytics, numbers and forecasts. Interacting with others in their organisation gets left at secondary importance. But, as Dr Ravi Mehrotra, CEO of IDeaS Revenue Solutions, said: "[Revenue Management] systems are not a substitute for human intuition, just as human intuition cannot achieve all the signs and rationale built into the system. The people and the system have to work together to achieve the best results."

Revenue Managers who embrace the analytical advantages of powerful Revenue Management systems will, of course, be at the forefront of strategic thinking and innovative practices. Yet, the mind set of 'lone wolf' needs to change. Revenue Managers should be able to communicate the value of Revenue Management to other key players in their hotel. This will lend support to decisions made and build a more comprehensive and successful data-driven Revenue Management culture across the hotel, which will ultimately optimise revenue and profits.

More often than not, the other key players of the hotel will include, but not necessarily be limited to, the General Manager, the Director of Sales and the Front Office Manager. And, in order to gain their support, Revenue Managers need to consider what drives these other players and what their main aims and motivations are. Only then can these key players work together to build strategy foundations that will ultimately drive better revenue within the hotel. By bringing in the notion that each position forms a part of a specialised team, I began to reminisce on famous teams throughout the last few decades that could help illustrate my point. A team that exudes strength, finesse, style and brains – a team… A team… the A-Team! By creating your hotel's very own A-Team, reaching revenue goals will be a piece of cake.

The Mission

Revenue Management can be defined as the application of disciplined analytics to understand, anticipate and react to consumer behaviour in order to optimise revenues and profits. However, translating this into something that the team can understand and work towards is often a struggle for Revenue Managers. We need to make it our mission to get these objectives aligned with the rest of the team.

Each team member possesses skills that, when used together, create an impressive combination. Working as a unit, you need to demonstrate where common goals lie—I am surprised at how often the question of solving the "conflict" between Sales and Revenue Management comes up. There is a simple solution: align goals. For example, I once worked with a hotel where the Sales Managers had only room-night volume targets. There were no parameters about when the room-nights should occur or what kind of revenue they should generate. The Sales Team was motivated by this goal and quite successful in achieving it. However, because their goal wasn't aligned with Revenue Management fundamentals, the hotel wasn't hitting its overall targets. Often, the hotel would be sold-out with lower rated business, when there was higher rated business out there that had to be turned away. To avoid working at cross purposes, it is important to make sure the entire hotel team's goals are aligned. Individual goals and targets are definitely a large part of the equation, but everyone should have a stake in achieving the big picture goals. Incentive programmes may be dictated from above, but the Revenue Manager can work to ensure goals are established to best support the overall success of the hotel.

The Team

In order to fully understand the mission of Revenue Management in your hotel, you must identify and understand the key drivers of each member of your 'A-Team'.

The General Manager (GM) takes the role of the all-important leader, Hannibal. Being a master tactician and an excellent strategist like Hannibal, the GM organises the hotel's operations to maximise Gross Operating Profit (GOP). So, if this is the GM's key driver, how can the Revenue Manager communicate the necessity of Revenue Management to him? Basically, by always remembering the phrase "Show me the money". Revenue Managers, of course, contribute to the hotel's GOP by optimising revenues. What is crucial is that Revenue Managers must be sure to attach real, monetary value to their strategies, so that the GM can make informed decisions and the GOP impact of following these strategies can be evaluated.

The Director of Sales can only be Faceman and focuses on client relationships and customer loyalty. They attract the right customer, convince them to buy, buy often and buy in higher quantities –and then hopefully bring in more customers. Revenue Management only works when we understand consumer behaviour and then address the market based on an effective value proposition. What will the customer get for the money they have to pay and what are the alternatives? Using this logic to address the Director of Sales is usually a good way to increase their understanding and help them apply strategies to their clients and choose the customer that will help achieve the objective of customer loyalty, while keeping the Revenue Management targets of the hotel in mind.

Once the optimal client mix has been established within the team, the Front Office Manager, or BA as we know him, deals with guest satisfaction, which provides a measure of how products and services are met and then surpass customer expectations. Like the A-Team's resident 'Mr-Fix-It' BA, Front Office Managers deal with uncertain circumstances and often need a plan of action to get out of sticky situations. They like transparency and accuracy and hate uncertainty – they do not want to deal with difficult pricing questions from customers due to pricing irregularities. If Revenue Management is done correctly, consistently and analytically, Front Office Managers will be hugely appreciative, as their goals of achieving client satisfaction will be aligned with the revenue optimisation target of the hotel. Working together with them on critical Revenue Management issues by applying disciplined analytics keeps bad attitudes away and allows the team to have one common goal in mind.

With each division having its own focus, it is the Revenue Manager's goal to make sure everyone stays on target to optimise revenue, understand consumer behaviour and carry-out disciplined analytics. By applying the appropriate technology mixed with research and statistics to all business processes, Revenue Managers also need to understand the importance of people to make Revenue Management work. No longer can Revenue Managers maintain the role of the follower or silent contributor within the team. Instead, they must be crazy and outgoing like Murdock! As the team's pilot, he always ensured the team arrived at their destination to complete a mission. Like him, Revenue Managers have to effectively communicate findings to all fields and make sure everyone arrives at their desired end goal. Even though the key players can be the most difficult to work with, since there is a mixture of responsibilities within the team, Revenue Managers need to speak their minds and actively have a voice in the workplace.

In short, 'The RM Persuasion Matrix' summarises your new 'A-Team':

	Key Driver	What does that mean?	"Murdock"
"Hannibal" (General Manager)	GOP	"Show me the money"	Optimise Revenues
"Face" (Director of Sales)	Customer Loyalty	Customer Value Proposition	Customer Behaviour
"B.A Baracus" (Front Office Manager)	Guest Satisfaction	Transparency & Accuracy	Disciplined Analytics

The Plan

With the development of the hotel industry in the last 20 years, the need for a Revenue Manager has become extremely important to the overall success of the hotel. Just as the A-Team could not complete one of their covert operations without the skill sets of Murdock, the hotel would be in trouble without the expertise the Revenue Manager brings to the plate.

Today, the role the Revenue Manager plays can fluctuate from day to day. Hotels need to create an environment where the Revenue Manager takes a leadership role and is an integral piece of the decision-making process by providing facts, data and analysis. One way to accomplish this goal is through a weekly revenue meeting where direction, partnered with strategy, is established by bringing the team together and working towards that common objective. Bearing in mind the 'RM Persuasion Matrix', set targets on items that will drive performance that are actionable and aligned across the team.

Today's Revenue Managers can play a larger role in the overall success of the hotel than ever before. For the potential of the role to be realised, they have to not only generate reports, but communicate strategies effectively and gain the support of others in the organisation. Just as Revenue Managers should have a strategy to achieve the hotel's goals, they should also have a strategy to reach their potential as key influencer within their organisation. ***In the words of Hannibal: "I love it when a plan comes together".***

Paul Van Meerendonk

Manager of Hospitality Consulting at
IDeaS Revenue Solutions

I need back up

Andrew Evans reports on the key activities we all need to be implementing to ensure that our documents are safe.

You turn on your computer one morning, just as you always do. You are greeted with the Windows blue screen of death or, even worse, nothing happens at all. You try all the old favourites, turn it off and back on, Control + Alt + Del. No joy, your hard drive has crashed. Then you think to yourself, when's the last time I did a back-up? Data loss can happen in many ways. One of the most common causes is physical failure of the media the data is stored on. You probably have everything saved on your PC's hard drive. That hard drive will not live forever. There are only two types of hard drives – "the ones that have failed and the ones that will fail." Yes, normally hard drives will live for years without incident. But eventually, they will die. It might happen gradually, by more and more bad clusters accumulating until most of the drive is unusable. Or it might happen suddenly, the hard drive just dies without warning. Even if you work for a large organisation, the chances are your IT department won't be backing up all your data. They have probably got your emails and any files you have been saving to the network, "ah yes", you remember the IT guy banging on about saving your files to the network and not keeping them on your local hard drive. "Opps" you think. Worse still, if you are a small business or home user, unless you have got a backup, no one else will have one. Just think of all those irreplaceable photos that you have stored on your laptop or PC?

Act Now

- **Make backing up a part of your normal scheduled daily or weekly tasks.**

- **Don't count on anyone else to back your data up for you.**

- **Do backups of your own critical data.**

A comprehensive data backup strategy is vital to your data security. Too many people wait until disaster strikes before they think about a backup. Hard drive crashes, laptop thefts and data disasters can happen with no warning and they can be catastrophic to your business or personal life. Thankfully, there are loads of affordable and easy ways to keep your data safe.

If you work for an organisation, check with your IT department what data is backed up and how they can help secure your data. For a small business or home, user back up options vary in terms of sophistication, from expensive software packages to simply burning important files to DVD or copying files to USB key drives. However, employing a cost effective automated service is the easiest and safest way to secure your data. That way, you can set it up and forget about it safe in the knowledge your data is always backed up.

Many people think a backup is simply moving their photos, videos, music, financial documents, or other important files off to an external hard drive or removable disk. However, simply moving data from one location to another isn't giving you any extra protection in case disaster strikes. If there aren't at least two separate copies of your data, it isn't a backup at all.

For the best protection against data loss, especially from catastrophic events, having at least three copies of your data (the original files, an easily-accessible backup, and a protected copy of your backup at another location) is recommended. While some large companies may use dedicated off-site data storage services for this, you don't have to be a big company to have three copies of your data. Even something as simple as using an inexpensive online backup service to keep a 3rd copy of your data will be sufficient.

You may find you already have access to a backup solution - they are often bundled with Broadband from the likes of BT, Virgin Media and many more. They offer online storage as well as a simple application that lets you choose what folders and files to back up. Once set up, your files are backed up whenever your PC or laptop is connected to the Internet. If you don't have back up facilities built into your broadband package, there are loads of services available including Carbonite (www.carbonite.co.uk) and Dropbox (www.dropbox.co.uk). Carbonite do an unlimited amount of online storage for a small yearly fee and Dropbox offer 2 gig of free storage to get you started. If you don't want to back up online, external storage such as a USB Hard drive is really cost effective and Microsoft Windows has built in back up with Windows Back up, for Mac users, there is time machine.

One last thought: Don't forget to back up your Smartphone, what would happen to all your contacts and photos if you lost your phone?

Andrew Evans

Managing Director, Keystep

About Keystep Limited

Keystep celebrate its 8th year of trading. Over the years, the company has delivered quality IT support services in the hospitality sector and has an impressive portfolio of clients including Malmasion Hotels, Hotel du Vin, Queens Moat House Hotels, Shire Hotels, RFU and the Principal Hayley Group. Services include IT Support, Field Service, EPoS Systems, Upgrades, Hardware Sales and Consumables. In fact anything to do with "IT" in the hospitality and leisure sector. To find out more visit www.keystep.org.

→ IVANA TAYLOR

Eight Technologies Marketers can't live without

Ivana Taylor, Publisher of DIYMarketers.com, reveals the key technologies required to organize your sales and marketing process.

In real estate, the three most important things are location, location, location. And, the three most important areas to pay attention to in marketing today are automation, automation, automation.

Here are the eight technologies that you can use in any size business to automate and organise your sales and marketing process. These recommendations cover every price point and every intensity level. Take some time to review them and see which of these you'd like to incorporate into your business.

Warning: Don't take on too many new applications at once. You'll get frustrated and overwhelmed. Instead, choose an area you'd like to automate, then do some research. Try the free trial first. Make a concerted effort to work with each tool until it becomes an integrated part in your process before you take on something new.

1 Customer relationship management tools

CRM tools help you manage the sales process. Sales software has changed from the clunky downloaded contact management systems of the past. They are now sleek social media and mobile integrated platforms that will help you build and develop relationships at any price point.

• Nimble is ideal for companies that build relationships and opportunities through social media introductions such as LinkedIn or Twitter. My favourite feature turns tweets and comments into action items.

• Salesforce is a favourite for both big and small businesses. It has always had great reporting tools and now it has jumped into the social space.

• ACT has been around for decades and was one of the first in the CRM field. ACT is a great choice if you only want to pay once and have access to your information on your desktop or in the cloud.

2 Marketing Automation

Marketing is a process, like sales or manufacturing. Raw materials come in and customers emerge. Tools like SalesForce have add-ins or apps that include a marketing-process management module. When you're choosing a platform, consider where your marketing is focused: inbound or outbound.

• HubSpot handles inbound marketing. HubSpot attracts your ideal customer to your site and moves them toward becoming a customer.

• Marketo is an enterprise solution to manage complex outbound-marketing strategies, as well as inbound.

3 E-mail Marketing

There is no excuse for not using an e-mail marketing technology in any business. Every business should be collecting e-mails from its prospects and customers. Once you have these e-mails, you can send "nurture campaigns" that consist of educational and informational e-mails, newsletters and special offers to your customers.

• aWeber is one of the most popular e-mail marketing platforms and is a popular choice of bloggers and online marketers. Their strength is in customer service and in sending unlimited follow-up e-mails.

• Constant Contact is a fan favourite of many B2C and retail businesses. Constant Contact has terrific newsletter options and many templates that make it easy to send offers to customers.

• MailChimp is the ideal tool for small businesses who want to test campaigns and see their stats from social media sites. The analytics and reporting are what set MailChimp apart from the rest.

• Get Response is ideal for beginners and first-time users who would like flexible templates. Another interesting feature is that it offers more than 1,000 iStock photos.

4 Analytics

The old quote about not knowing which 50 percent of your marketing budget is effective is no longer true. Web analytics can tell you exactly which aspects of your site are most effective.

• Google Analytics is a goldmine of information and, best of all, it's free. Take the time to learn about who comes to your site and where they are coming from.

• Web Site Optimizer is also from Google and allows you to test several versions of your Web pages to see which gets more clicks.

• Wordtracker is a keyword research tool for search engine optimisation and link-building. You can use the keyword-suggestion tool to develop the core keywords for your website.

• Optimizely is an online application that makes A/B comparison-testing easy for anyone to do. The best feature of this application is the WYSIWYG editor with which you can tweak your site to test which version works best.

5 Communtiy Platforms

These are ideal for businesses that find social media ineffective for interacting with their customers, distributors or prospects.

• Ning got a lot of flack when it started charging for many of its free features. But don't let that stop you. Ning is still an easy way to create a private online community at a low price.

• BuddyPress is a great plugin to build your private community if you're using a WordPress platform.

6 Social Media Management

You don't have to be overwhelmed by social media if you're using the right tools to streamline your marketing. Each of these tools helps you to automate and delegate your Twitter, Facebook, LinkedIn and other social media platforms. Each platform is loaded with functions. I've outlined just a few that set them apart.

• The free version of HootSuite offers so much functionality, you may never have to upgrade. The upgraded version lets you create a team of people who post to your social media accounts.

• You can automate and manage your Twitter and Facebook streams with MarketMeSweet, a free tool. It has a unique "dot" system that allows you to delegate and organise your tweets.

• SocialOomph is one of the most popular Twitter management tools. Like other tools, it allows you to schedule your Twitter and Facebook updates, and it can send you summaries of your @replies.

7 Online Research

You don't have to spend thousands for high-quality market research anymore. These online survey tools will practically make you a pro. The tools will help you program, launch and analyse your survey but they can't guarantee good results. It's worth to hire some professional help to design your survey.

• Zoomerang is my favourite choice for ready-to-use survey templates.

• SurveyMonkey is best-known for some of the easiest-to-use survey tools that newbies and professionals can both use.

• SurveyGizmo is comparatively new to the online-survey crowd. It prides itself on answering the phone, so beginners will always be able to get a real person to help.

• QuestionPro has the best data-analysis and reporting systems. If you know your way around developing surveys and want high-end analysis and reporting for a low price, this is your choice.

8 Prospecting & List-building

Getting and keeping customers is on top of all of our lists. While you can buy lists from InfoUSA, here are a few other sources you may not have considered.

• InsideView offers pre-call contact information that will help your sales team learn more about prospects so they can build a better foundation for that first sales call.

• JigSaw comes from SalesForce. It provides complete contact records and detailed information on companies so that you can plan your sales territories.

Check out these marketing-technology tools and applications and create more time to make more money.

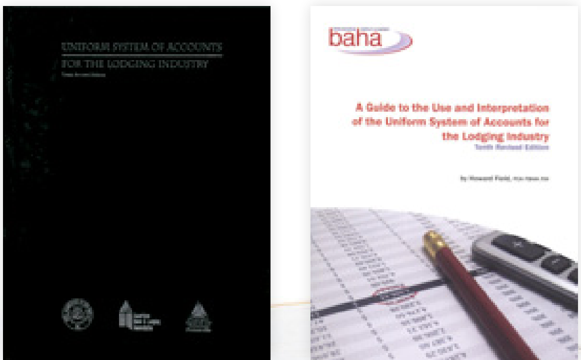
Originally published by ehotelier 23/01/2012, reprinted with permission from the author.

Ivana Taylor is the publisher of DIYMarketers.com – an online marketing publication that provides marketing advice and short cuts for CEOs with no marketing department. She is the DIY Marketing expert and book editor for Small Business Trends and a contributing author to AMEX Open Forum. Her strategic consulting firm, Third Force specialises in helping companies find their best customers and be the one they choose – regardless of price. Ivana is the co-author of Excel for Marketing Managers. Ivana Taylor can be contacted at: ivana@ivanataylor.com, or you can find her on Twitter as @DIYMarketers and @StrategyStew.

Ivana Taylor

Publisher of DIYMarketers.com

In the HOSPA bookshop



Uniform System of Accounts for the Lodging Industry (10th Edition) published 2006

The most recent edition of the USALI addressed the current industry trends, which emerged since the 9th edition was published in 1996. Some of the evolving issues which were addressed by the 10th edition included how to deal with condo hotels, reporting for internet wholesales, and resort fees, which seems to have particular relevance in this day and age of a la carte pricing which the airline industry has recently adopted.

£65 HOSPA members, £75 Non-members

Guide to the Uniform System of Accounts for the Lodging Industry (10th Edition) written by Howard Field and published by HOSPA

The aim of this guide is to provide help to a range of users including students, trainee accountants, financial and operational managers, new entrants to the hotel sector, teachers, asset managers, legal and financial advisors and analysts, auditors and anyone who is involved in the hospitality industry and who has a need to become familiar with the Uniform System.

£25 HOSPA Members & Non-members

Postage: Standard UK postage £2 per book, other destinations and multiple books on request.

Order your copies by telephoning HOSPA on 01202 889430 or at the new HOSPA online shop from April 2012.

Hotelympia 2012

26th February 2012 -1st March 2012

This year, Hotelympia provided HOSPA with an excellent opportunity to showcase the new image and brand of the Association at one of the industry's leading exhibition – Hotelympia.

Thanks to a partnership with Hotelympia through Toby Wand and Sonja van Praag of Fresh Montgomery - HOSPA was able to host a Lounge that enabled us to meet and greet our past & current members and valued Patrons & Sponsors as well as to introduce ourselves to potential new members.

During the five days of Hotelympia, visitors were welcome to come along and learn more about the Association and its Educational Programmes and to relax in the quiet sanctuary of the HOSPA Technology Hub, which was sponsored by HOSPA Patron MICROS–Fidelio.

Throughout the show, the HOSPA Hub hosted a series of seminars which were organised by Custard Communications and included, amongst others, a number of HOSPA Master Classes that were presented by excellent guest speakers who reflected on the latest issues and forecasts related to the sector – our thanks to everyone who came and took part.

On the Tuesday evening, HOPSA organised a Senior Finance and IT Directors' Dinner Forum as part of Hotelympia and in partnership and sponsored by our Strategic Partners - US based HFTP, who joined us in the Lounge for the first three days. 42 attendees enjoyed an evening of excellent food and debate led by HOSPA President Robert Cook. A fuller write-up of this event will follow in next month's Overview.

We were also very pleased to finally award the HOSPA IT Professional of the Year Award (sponsored by FourteenIP) to John Reid of Queens Moat Houses – as he was not present in December at the main awards event.

Written by Carl Weldon, CEO of HOSPA

Pictured are John Reid (centre) with HOSPA President Robert Cook and HOSPA IT Community Chair Bryan Steele.

Hotelympia 2012 Master Classes

In this month's Overview, we present short summaries of three of this year's Hotelympia Master Classes:

- *"Celebrations and commiserations: PwC UK hotels forecast 2012 and 2013" by Liz Hall, PwC.*
- *"Shrink to Fit: 5 Ways to Downsize Your PCI Program" by Richard Hollis, Orthus.*
- *"Industry Data Overview with STR Global" by Konstanze Auernheimer, STR Global.*

"Celebrations and commiserations: PwC UK hotels forecast 2012 and 2013"

Presented by Liz Hall, Head of Hospitality & Leisure Research, PwC

Welcome to PwC's latest UK Hotels Forecast in which we reforecast performance for 2012 and, for the first time, look to 2013. With only about five months to go until the Olympic Games start, we still can't be sure of the outcome. There is no shortage of good and bad publicity and we hear that LOCOG has given back around 17% of contracted hotel rooms. We think this is a positive move at this stage as hoteliers will be in control of their own inventory and therefore destinies and still have time to sell the rooms. Recent PwC research with Small Luxury Hotels of the World ("SLH") suggests 11% of SLH club members surveyed were planning to visit the Games, but 16% remained undecided[1]. If it were not for the Games boost to Q3 this summer, then London hotels would have been looking at a poor year.

At a glance

2012

- A weaker overall travel and hotel outlook as UK and European GDP growth slows.
- Despite this, we expect the Olympics will turn 2012 into a record year for London.

- Another difficult year for provincial hotels, despite record occupancies.

2013

- Stronger GDP growth expectations could help provincial ADR pick up.

A weaker overall travel and hotel outlook in 2012 as UK and European GDP growth slows: A weak year is forecast for the UK economy with only 0.6% GDP growth in 2012. Together with an unresolved Eurozone crisis, this will mean lower confidence levels and a weaker outlook for travel. This will impact business and holiday travel, conferences, meetings and hotel demand. This would have inevitably lowered our growth forecasts for 2012 with or without the Olympics.

An Olympic rescue: There is still debate about the exact value from the Games, but without them, London would have felt the impact of the harder trading environment more keenly.

Up to 2.8% RevPAR growth in London in 2012: Past Olympic cities overestimated potential visitor numbers and saw a significant displacement effect as regular tourists (as opposed to sports fans) avoided the cities pre, during and post the Games. We now estimate RevPAR growth could range from 2.8%, 1.6% and 0.8% in our high, mid and low scenarios respectively.

Record occupancies all round: In 2012, hotels should see a positive impact on occupancy of almost 1.2% in London and 0.9% in the provinces taking occupancy to almost 84% in London and 72% outside the capital – and if achieved it would mean the highest annual occupancy seen in London since the 1970s and the highest ever in the provinces, partly underpinned by branded budget performance.

"If it were not for the Games boost to Q3 this summer then London hotels would have been looking at a poor year."

Austerity will prove a testing time for ADR: Rates will be challenged by cost conscious consumers and travel buyers seeking value and deals and the displacement effect of lower spending visitors. In addition, high London ADR growth in 2011 makes for tough comparables. In 2012 in London, we expect to see an ADR gain of 1.2% taking rates to over £135 in our high scenario, but barely a 0.1% gain in our mid scenario and a decline of -0.6% in our low scenario. We expect a further decline in the provinces of 2.1% (where there has been no annual rates growth since 2008) taking ADR down to £57.

London will be jam packed in Q3: In Q3 itself we expect occupancy to hit almost 92% and with rates at £156 in our high scenario this takes RevPAR to almost £144, growth of nearly 21% over Q3 2011. Many operators we have spoken to expect trading to remain flat in London (at best) outside Q3 and we continue to forecast RevPAR declines in Q2 and Q4.

Only a small Olympic demand 'boost' for the provinces: Weymouth, the football cities and other centres holding events should see a small occupancy uplift this year. In addition some areas will be hoping to benefit from the staycation trends as well as the Diamond Jubilee and Farnborough International Airshow. There could also be some overspill from London. Unlike London though, we do not see the small occupancy boost keeping rates or RevPAR out of negative territory. We anticipate ADR could fall by 2.1% during 2012 as a whole and RevPAR fall by 1.2%.

Lower demand and an East London supply spike could depress trading in 2013: Few expect a fast recovery for the economy but our 2013 GDP forecast of 1.8% growth is encouraging. However, with no quick relief for squeezed consumer spending, a supply overhang and some difficult comparables in Q3 we anticipate occupancy falls of 3%, rates down by 3.4% and RevPAR falling by 6.7%.

Provincial hotels could at last see some rates growth in 2013: Historically the impact of branded budget development has supported occupancy while weak economic growth, oversupply in some cities and branded budgets have depressed rates in the provinces. In 2013 we think this may change as rates rise by 2.4%, occupancy falls by -0.3% and RevPAR rises by 2.0%.

PwC UK hotel forecast 2012 and 2013 (high scenario for UK and London)

	London		Provinces		UK	
	2012	2013	2012	2013	2012	2013
Occupancy %	83.6	81.1	71.8	71.6	74.9	74.0
ADR(£)	135.43	130.80	57.09	58.46	80.63	80.20
RevPAR (£)	113.81	106.16	41.05	41.89	60.58	59.44
% change on previous year						
Occupancy	1.2%	-3.0%	0.9%	-0.3%	1.0%	-1.1%
ADR	1.2%	-3.4%	-2.1%	2.4%	-0.4%	-0.5%
RevPAR	2.8%	-6.7%	-1.2%	2.0%	0.7%	-1.9%

Econometric Forecasts: PwC February 2012
Benchmarking Data: STR Global February 2012

1 PwC/SLH research of 9,000 SLH club members in December 2011

You can download the full hotel forecast referred to in this article from www.pwc.co.uk/hotelforecast or www.hospa.org

Liz Hall
Head of Hospitality &
Leisure Research, PwC

"Shrink to Fit: 5 Ways to Downsize Your PCI Program"

Presented by Richard Hollis, CEO, Orthus Information Risk Management

To begin downsizing your Payment Card Industry (PCI) Data Security Standards (DSS) program, you must understand that compliance is mandatory and regulated on Merchants through their agreements with their Acquiring Banks and the Card Brands.

The Standards apply to all systems that process, store or transmit cardholder data (credit or debit) and any systems that connect to them. The rule is clear and concise and determines the fundamental scope of your compliance program.
All downsizing starts and ends with this definition.

Discover & Document

You must first identify what cardholder data you have and where you have it, because you can't shrink what you have not measured. Conduct a thorough inventory of your business operations to identify cardholder data subject to security controls. Find all the locations where you keep hard copy data in your facilities and document them.
Start by running device discovery software across your internal network IP address range to discover all of the actual devices associated with your systems.
Next, run cardholder data discovery software across those same IP addresses

to detect which specific devices are processing, storing and transmitting card data on your network. Document the results and have stakeholders sign off for concurrence as it will serve as the definitive map for reducing your card data environment (CDE).

Destroy & De-Scope

Now look at every location indicated on your CDE map and ask the question: Do we need to keep cardholder data here? Take your time. Question the obvious. The process should be determined using a strict application of the business requirement for the presence of the data. Once located, consolidate all hard-copy storage. Be thorough in your search for soft copy data. Remember to look at VoIP and mail servers, MS Outlook archives, fax, scanner and copier memory cards and include backups and 3rd party connections. This phase presents your biggest opportunity to downsize. If you don't need it – delete it. Be ruthless.

Outsource & Oversight

After you have reduced your holdings, step back and consider what services you could outsource to a service provider such as hosting, payment processing or storage. While this option may reduce the commercial and operation impact of PCI on your business, it does not relieve you of the compliance requirements.

Suppliers must provide PCI compliant environments for your systems in scope and compliance requirements must be clearly stated in service level agreements. Don't take their word for it, verify their compliance status. Don't mistake risk transference with risk mitigation. Audit their facilities at least annually. Get copies of their policies and procedures. Ask to see copies of their testing and scanning reports as well as their actual report on compliance (RoC). If they hesitate, find yourself another supplier.

Remember, you can outsource the activity, but not the liability. If they had a breach and lost your client's card data, it would be your company's name in the papers.

Separate & Segment

After you've documented, deleted and outsourced everything you could, your next step is to segment your network to ensure that only those users with a "need to know" (demonstrated business reason) can access cardholder data within the CDE.

Your objective is to minimise access. This is done through the implementation of firewalls, virtual private networks (VPN) or software. As a rule, all 3rd party and wireless networks should be segmented. All remote access to the CDE requires dual authentication of the end user. As a rule, segmentation should not be vendor led. Independently test any commercial solution before its implementation.

If you're using point to point encryption as a segmentation method don't forget that the card brands publish their own configuration requirements for point of sale (PoS) devices. If you are using bank-owned PoS devices, verify that their configuration meets PCI requirements and that compliance requirements are clearly stated in the service level agreements.

Whatever segmentation method you decide to deploy to minimise the scope of your CDE, you will still have to implement the PCI controls (but only on the now reduced CDE) and validate your compliance to your acquiring bank.

Tokenisation

Finally, consider using a commercial tokenisation solution to downsize the scope of your PCI program. This is when card data is replaced by "token" (surrogate value) and stored in centralised vault. In a tokenisation solution only those systems actually processing, storing or transmitting card holder data remain in scope and those systems processing, storing or transmitting surrogate values are removed from the scope. The key is found in the hosting since wherever tokens and card data meet are also in scope so be careful of hybrid solutions.

Whatever you select, make sure that you test it and verify it meets your criteria. See the PCI Standards Council website for guidance on implementing a tokenisation solution. While it is certainly effective in reducing your overall program it is not a silver bullet.

Best Approach

The PCI DSS is a risk management framework to help your business identify, minimise and manage the risk of compromise to cardholder data. It is not a checklist and implementing it will not prevent a breach - only reduce the likelihood of one occurring.

The objective of the PCI DSS is risk management. If you understand this it can result in significant savings of time, resources and finances as you will only deploy controls appropriate to the level of risk. This is not only the best but also the right approach.

Richard Hollis

CEO, Orthus Information Risk Management

"Industry Data Overview with STR Global"

Presented by Konstanze Auernheimer, Director of Marketing and Analysis, STR Global.

Hotels in London and Regional UK reported positive revenue-per-available-room (RevPAR) growth in 2011 according to London STR Global, the leading provider of market data to the hotel industry. During this presentation, the last 12 months performance to January (12-MO) and the market forecast for London and Regional UK hotel's markets in 2012 are reviewed and analysed.

UK Hotel demand (in terms of rooms

sold) grew by 3.9 in 2011 compared to the previous year. During the same period, supply growth remained relatively low at 2.2 percent with some of the hotel pipeline delivery being delayed due to the economic environment.

London saw RevPAR growth increased by 8.3 percent 12-MO led by an increased ADR (+8.1 percent) to £83.38 percent. Looking within London's submarkets, Knightsbridge/Pimlico/Victoria reported the highest ADR at £212 with occupancy reaching 80.0 percent 12-MO. Leading the city in terms of demand growth, the South London Area grew by 10.1 percent 12-MO whilst supply growth increased by 4.2 percent. As a result occupancy growth increased by 5.6 percent 12-MO. In the City/Shoreditch area, supply grew by 11.8 percent leading occupancy to decline by 2.3 percent to 83.13 percent 12-MO.

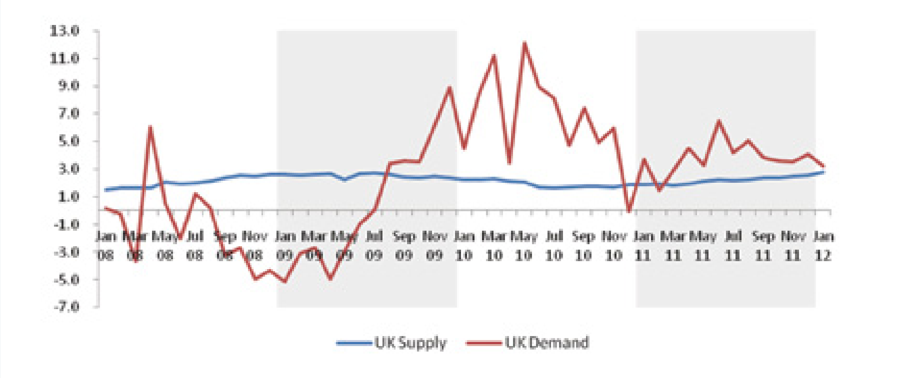
Looking at Regional UK, RevPAR increased by 1.5 percent in 2011 led by increased occupancy. Occupancy growth by market segment increased between 1.2 percent (Luxury and Upper Upscale) to 3.5 percent (Midscale and Economy) 12-MO. The Economy and Midscale class was the only combined segments in 2011 experiencing ADR decline by 2.1 percent.

Looking at hotel performance by cities in Regional UK, RevPAR grew in Aberdeen by 9.7 percent 12-MO. The growth was led by increased demand (+11.9 percent), supporting both rate (+5.1 percent) and occupancy (+4.3 percent). In Derby and Cardiff demand grew by 10.1 percent and 8.5 percent whilst supply increased by respectively 8.8 percent and 5.3 percent. In terms of ADR, Bath (£87.47) and Basingstoke (£86.59) achieved the highest ADR in Regional UK. Northampton led the market in terms of occupancy growth increasing by 8.28 percent followed by Newbury (+7.15 percent) and Reading (6.57 percent). During the same period in regions RevPAR declined in Preston (-11.58 percent), Hull (-10.57 percent) and Birmingham (-7.15 percent) 12-MO.

"Overall the last 12 months remain positive for UK hoteliers despite a challenging economic climate" commented Konstanze Auernheimer, director marketing & analysis at STR Global. "Whilst economic uncertainties remain, London and the regions are preparing for a year of celebrations and events. We are expecting to see RevPAR growth in 2012 across all London's segments between 0.5 and 1.7 percent, Gatwick (+0.2 percent) and Regional UK Upper Mid Market (+1 percentage)".

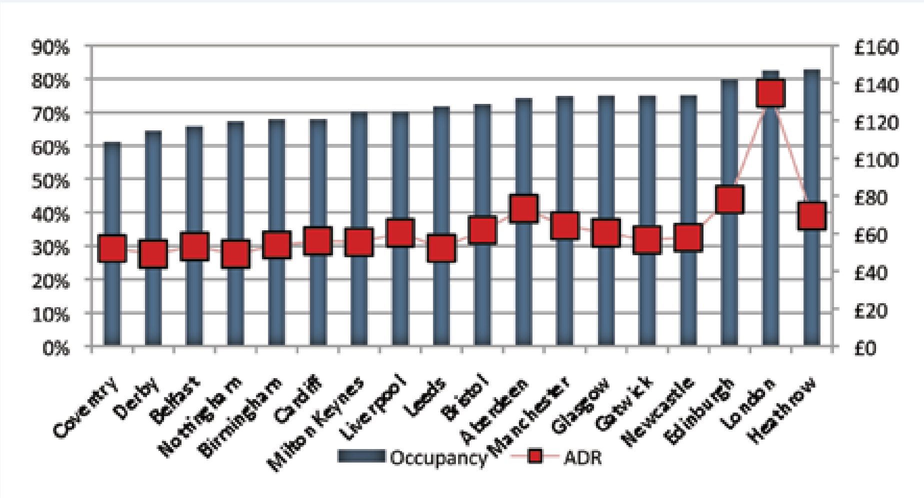
STR Global reports on 51 cities across the UK, collecting performance data from more than 2,700 hotels.

UK supply and demand % change



Source: STR Global

12-Months to January 2012, key markets occupancy and ADR



Konstanze Auernheimer

Director of Marketing & Analysis, STR Global

UK CHAIN HOTELS MARKET REVIEW - January 2012

As the Olympic year gets under way hotels in London are back on form

After suffering a period of decline in Q4 2011, hoteliers in London are back to their best in the first month of 2012, recording a 7% increase in profit per room, according to the latest HotStats survey of approximately 560 full-service hotels across the UK by TRI Hospitality Consulting.

Whilst hotels in London were heavily reliant on increases in average room rate to fuel Revenue per Available Room (RevPAR) growth in 2011, the 2.5 percentage point increase in volume in January suggests that the capital has the capacity to increase volume in 2012, despite hoteliers achieving an impressive 81.4% room occupancy in 2011.

In addition to the growth in room occupancy, hotels in London achieved a record breaking average room rate in January 2012 of £119.33, 3.2% above the same period in 2010 and approximately 7% above the prerecession high of £111.47 achieved in January 2008.

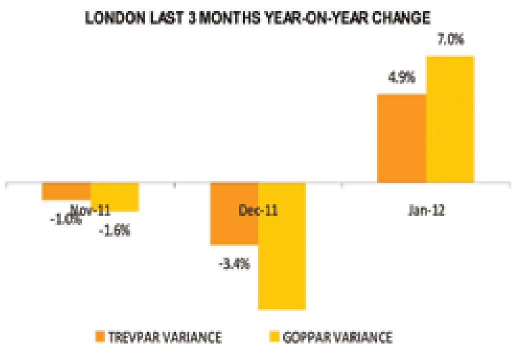
Somewhat surprisingly the growth in achieved average room rate in the capital for January was driven by an increase in achieved rates in the individual leisure (+3.5%) and group leisure (+9.1%) sectors, suggesting that the capital has experienced an increase in demand from tourists to the city.

In further contrast to the fourth quarter of 2011, ancillary spends in the London hotel market in January have remained relatively static. As a result, Total Revenue per Available Room (TrevPAR) in the city increased by 4.9% to £116.32 from £110.90 in 2011.

The 7% growth in profit per room to £44.93 from £42.00 in 2010, which was another record for London hoteliers, was helped by a reduction in payroll levels as a proportion of total revenue, to 29.2% from 29.7% of total revenue.

"Following three consecutive months of RevPAR and profit decline in the last quarter of 2011, hoteliers in London have had a strong beginning to 2012. That said, we are well into Q1 and the Olympic flame is quickly approaching the capital, but the only certainty about the performance of London hotels during 2012 is that it will be highly unpredictable. If the first month is anything to go by the capital could hope for yet another record breaking year," added Langston.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats London Main KPIs

LONDON

	Jan '12	Jan '11	Var b/w	
Occ %	70.3	67.8	2.5	▲
ARR	119.33	115.62	3.2%	▲
RevPAR	83.89	78.44	7.0%	▲
TrevPAR	116.32	110.90	4.9%	▲
Payroll %	29.2	29.7	0.5	▲
GOP PAR	44.93	42.00	7.0%	▲

	YTD '12	YTD '11	Var b/w	
Occ %	70.3	67.8	2.5	▲
ARR	119.33	115.62	3.2%	▲
RevPAR	83.89	78.44	7.0%	▲
TrevPAR	116.32	110.90	4.9%	▲
Payroll %	29.2	29.7	0.5	▲
GOP PAR	44.93	42.00	7.0%	▲

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

But Provincial hoteliers are already lagging way behind

In contrast to the strong performance in London, profit per room at hotels in the Provinces dropped by 14.4% in January, which represented the greatest margin of profit decline since February 2011, according to the latest Hot-Stats survey of approximately 560 full-service hotels across the UK.

Whilst hoteliers in the Provinces successfully achieved year-on-year RevPAR growth of 0.9% in January to £35.55 from £35.24 during the same period in 2011, this measure is once again flattering to deceive in a market which is facing considerable challenges, which are primarily related to escalating costs.

The growth in room occupancy in the Provincial market has been commonplace in the last 12 months; however, as in five of the last 12 months average room rate has continued to decline, which in 2011 was primarily as a result of continued resistance to rate increase in the commercial sector. This trend has continued into 2012, as the achieved rate in the corporate segment fell by 1.9%.

The 0.9% increase in RevPAR was not sufficient to offset the declines in food and beverage revenue per available room (-1.8%) and meeting room revenue per available room (-9.2%) and as a result TrevPAR in the Provinces declined by 0.6% this month to £68.57 from £69.01. However, the biggest concern for Provincial operators is escalating costs.

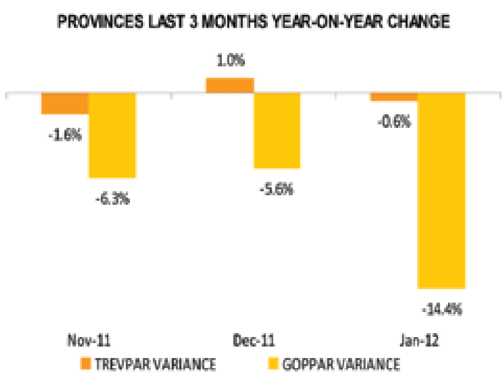
“The RevPAR measure is a complete misrepresentation of the current performance of the Provincial hotel market and it is essential that hoteliers, analysts and observers look beyond the three classic measures of performance to truly understand what is happening,” added Langston.

In addition to the 0.8 percentage point increase in payroll levels to 41% of total revenue, utility costs for January increased by 6.1% to £5.20 per available room with a 3.8% increase also suffered in maintenance expenses.

The greater reliance on third party websites to drive demand for hotel accommodation resulted in a 13.7% increase per room sold in the cost associated with travel agents commission, which was primarily responsible for the 5.7% increase in direct expenses per room sold in the rooms department. As a result, profit per room for Provincial hoteliers declined by 14.4% in January to just £9.25 per available room from £10.81 during the same period in 2011.

“Somewhat depressingly, and in stark contrast to hotels in London, the performance of the Provincial hotel market suggests that 2012 could be yet another year of challenging trading conditions,” said Jonathan Langston.

PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats Provinces Main KPIs

PROVINCES

	Jan '12	Jan '11	Var b/w	
Occ %	54.6	53.6	1.0	▲
ARR	65.06	65.71	-1.0%	▼
RevPAR	35.55	35.24	0.9%	▲
TrevPAR	68.57	69.01	-0.6%	▼
Payroll %	41.0	40.2	-0.8	▼
GOP PAR	9.25	10.81	-14.4%	▼

	YTD '12	YTD '11	Var b/w	
Occ %	54.6	53.6	1.0	▲
ARR	65.06	65.71	-1.0%	▼
RevPAR	35.55	35.24	0.9%	▲
TrevPAR	68.57	69.01	-0.6%	▼
Payroll %	41.0	40.2	-0.8	▼
GOP PAR	9.25	10.81	-14.4%	▼

HOTSTATS Briefing Data

UK Chain Hotels - Performance report Currency: £ Sterling

The month of January 2012

LONDON

	Jan '12	Jan '11	Var b/w	
Occ %	70.3	67.8	2.5	▲
ARR	119.33	115.62	3.2%	▲
RevPAR	83.89	78.44	7.0%	▲
TrevPAR	116.32	110.90	4.9%	▲
Payroll %	29.2	29.7	0.5	▲
GOP PAR	44.93	42.00	7.0%	▲

PROVINCES

	Jan '12	Jan '11	Var b/w	
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RevPAR	35.55	35.24	0.9%	▲
TrevPAR	68.57	69.01	-0.6%	▼
Payroll %	41.0	40.2	-0.8	▼
GOP PAR	9.25	10.81	-14.4%	▼

The calendar year to January 2012

LONDON

	YTD '12	YTD '11	Var b/w	
Occ %	70.3	67.8	2.5	▲
ARR	119.33	115.62	3.2%	▲
RevPAR	83.89	78.44	7.0%	▲
TrevPAR	116.32	110.90	4.9%	▲
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PROVINCES

	YTD '12	YTD '11	Var b/w	
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ARR	65.06	65.71	-1.0%	▼
RevPAR	35.55	35.24	0.9%	▲
TrevPAR	68.57	69.01	-0.6%	▼
Payroll %	41.0	40.2	-0.8	▼
GOP PAR	9.25	10.81	-14.4%	▼

The twelve months to January 2012

LONDON

	Rolling '12	Rolling '11	Var b/w	
Occ %	81.7	81.6	0.1	▲
ARR	131.44	123.43	6.5%	▲
RevPAR	107.35	100.70	6.6%	▲
TrevPAR	146.39	140.44	4.2%	▲
Payroll %	23.9	24.3	0.4	▲
GOP PAR	70.63	66.90	5.6%	▲

PROVINCES

	Rolling '12	Rolling '11	Var b/w	
Occ %	69.3	68.5	0.8	▲
ARR	68.78	68.62	0.2%	▲
RevPAR	47.69	47.02	1.4%	▲
TrevPAR	91.51	91.47	0.0%	▲
Payroll %	32.5	32.2	-0.3	▼
GOP PAR	26.74	27.73	-3.6%	▼

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Members' **Events**

Forthcoming events

Mar 26 — **HOSPA Members' Meeting** - Scotland
The first Scottish Regional Meeting of 2012 is to be held at the Radisson Blu Glasgow, 301 Argyle Street, Glasgow G2 8DL from 6.00pm. The meeting will see an Introduction from HOSPA CEO, Carl Weldon and presentations from STR Global, Guestline and EasyRMS.

May 24 — **Taxation Forum with expert speakers**

May 28 — **BAHA EGM**
An Extraordinary General Meeting to finalise the Annual Accounts for BAHA to 31st March 2012.

Jul 12 — **HOSPA Members' Quiz Night**

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Smart Report

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HOSPA welcomes the following industry leading companies as 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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Sponsor of the HOSPA Calendar

HOSPACE Conference & Exhibition 2012

Date for your Diary...

HOSPACE 2012
22nd and 23rd November 2012

More information coming soon...
Second day will include specialist community sessions on Revenue Management, Finance and IT.

What was said about the 2011 Conference?

"I was at the HOSPACE conference last week for the first time, and I wanted to say thank you for the event. It was extremely informative and good to make a number of new connections."

Toby Rintoul, Director, Johnston Carmichael.

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