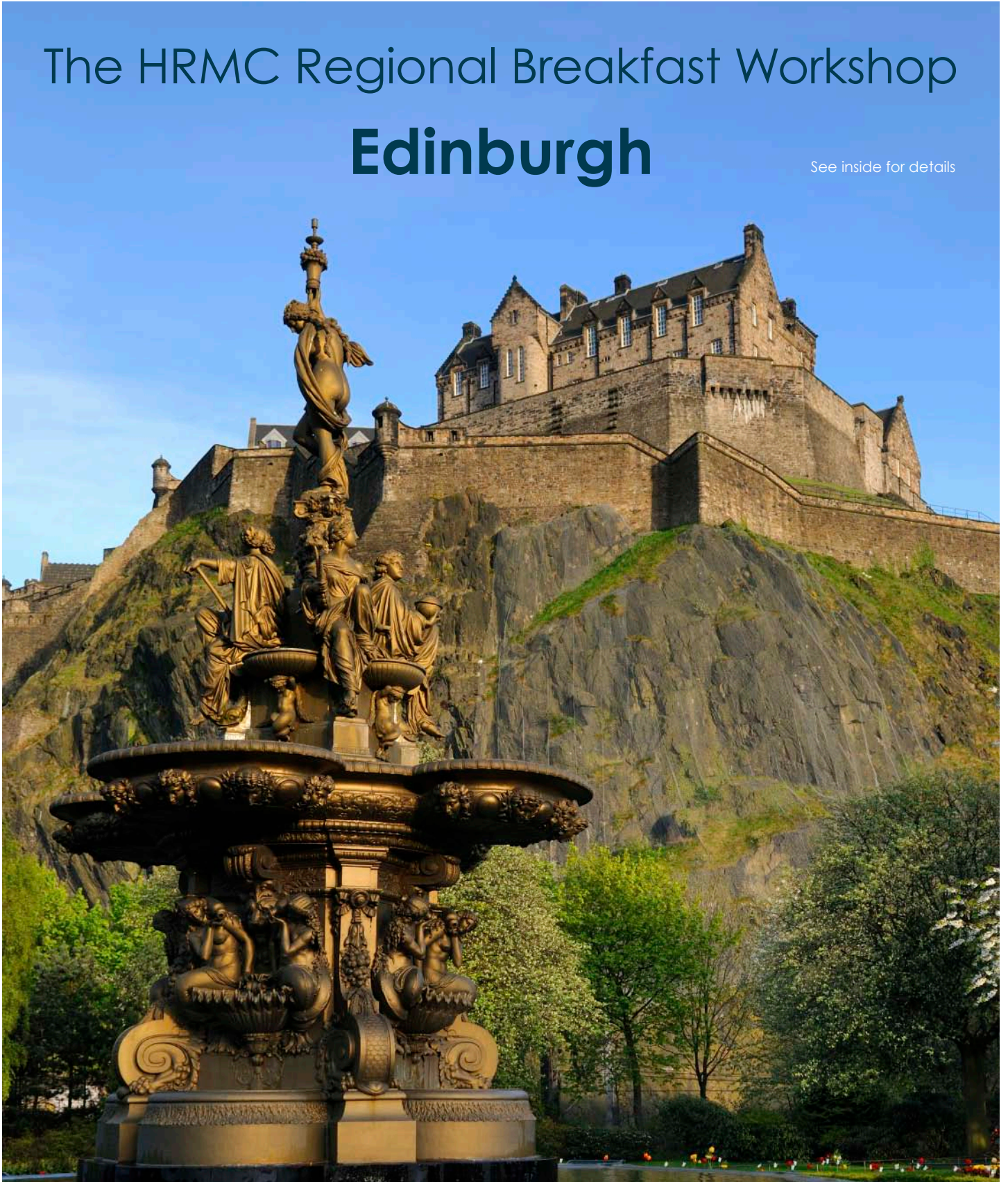


THE OVERVIEW

ISSN 2048-4844 JULY/AUGUST ISSUE 2012

The HRMC Regional Breakfast Workshop **Edinburgh**

[See inside for details](#)



Recruiting now for the next intake for the HOSPA Education and Training Programmes

Welcome to THE OVERVIEW

The Value of Management and Leadership Qualifications report, recently published by the Chartered Management Institute, shows that an individual manager gaining a professional qualification has a strong 'ripple effect' on their wider organisation. Ninety per cent of the 1,185 managers surveyed said management qualifications made them perform better, and the vast majority (80 per cent) passed on new skills to their colleagues and improved the performance of their teams (79 per cent).

Providing education and learning opportunities is one of the fundamental aims of our Association and the HOSPA suite of Education and Training Programmes in finance, revenue management and IT provide a framework for developing the skills and knowledge needed both at first line and middle management levels for those hospitality professionals focusing on developing their careers in their chosen discipline.

The programmes are flexible and are studied in three separate stages, each taking approximately six months to complete depending on the course. Each of the courses is accredited which means that we maintain an up-to-date syllabus and that the quality of the learner experience and the delivery is annually reviewed by both our External Examiners and our accrediting partners.

The next enrolment date for all our education programmes is 17th September – for further information contact our Programmes Coordinator, Jane Scott at jane.scott@hospa.org

For other opportunities to keep your knowledge up-to-date diarise the dates from our new programme for members meetings and events on page 23 and also on the HOSPA website at www.hospa.org

Keep learning!

Debra Adams

Editor | debra.adams@hospa.org

Sponsor of The Overview



→ In July/August's issue...

- | | |
|---|---|
| 2. Introduction | 16. Why assuming is dangerous when it comes to Revenue strategies |
| 3. Managing UK hotel investment risk | 18. Industry news |
| 6. Interview with Robert Cook | 19. UK chain hotels market review May |
| 8. Accounting and ownership models | 23. Forthcoming events |
| 10. Redefining Revenue Management culture | |
| 15. A good read | |

Contains material sourced from responsibly managed forests together with recycled fibre, certified in accordance with the FSC (Forest Stewardship Council)* is manufactured to the ISO 14001 international standard, minimising negative impacts on the environment.

HOSPA

Hospitality Finance, Revenue and IT Professionals
BAHA Moving Forward

Editor

Debra Adams
+44 (0) 1202 842809
debra.adams@hospa.org

Editorial Board

Diana Mountain, Finance & Accounting Committee

Bryan Steele, Information Technology Committee

Warren Mandelbaum, Revenue Management Committee

Alec Jones, Taxation Committee

Membership, Subscriptions & Events

Rob Maloney, Membership Officer
rob.maloney@hospa.org

Wayne Gosden, Membership Services & Events Marketing
wayne.gosden@hospa.org

Education Coordinator

Jane Scott - jane.scott@hospa.org

Publisher

The Overview is published by:
Hospitality Professionals Association
Suite 6, Merley House Business Centre
Merley House Lane
Wimborne
Dorset
BH21 3AA
+44 (0) 1202 889430
www.hospa.org

Design and Production

Unstuck Design Ltd
Renshaw Barns
Upper Woodford
Salisbury
Wiltshire
SP4 6FA
hello@unstuckdesign.com
+44 (0) 1722 782873
twitter.com/unstuckdesign

Printer

Dorset Digital Print
16 Glenmore Business Park
Blackhill Rd
Holton Heath
Poole,
Dorset
BH16 6NL
+44 (0) 1202 332 044

The Overview online

You can login to the membership area on the HOSPA website and read this journal online plus archived copies in the members' area are available at:

www.hospa.org



Managing UK Hotel Investment Risk



Jon Dee
Director, PKF (UK) LLP

For further information please contact Jon Dee, Director, PKF (UK) LLP at Jon.dee@uk.pkf.com. Alternatively, please contact Robert Barnard, Partner, PKF (UK) LLP at Robert.barnard@uk.pkf.com.

Most commentators are forecasting an increase in transaction volumes in late 2012 and 2013 as cash buyers remain on the lookout for good opportunities. London trophy assets in particular remain attractive to overseas investors seeking a shelter to maintain capital value. PKF believes that as the new hotel market cycle develops in the UK over the coming years, investors should take the opportunity to review their approach to managing investment risk.

The investment opportunity

The attractiveness of hotel real estate rests upon its potential to generate a competitive total return on investment and an on-going source of income. Cash flows can be volatile but for those investors who have “bought smart” and acquired assets at the correct point in the market cycle, the return on investment has been considerable.

Risks

There are many different types of asset and market segments within the hotel sector, each with its own risk and return characteristics, and each with its own operational characteristics that directly affect the performance of the investment. In PKF’s experience, the most successful investors have a clear strategy that defines not only the expected returns, but also the means by which they will be achieved and the potential risk exposure that will be incurred over the investment period. The main categories of risk are capital and operational.

Capital risks relate to the cost of the investment, development costs incurred in converting the asset into a fully operational hotel and the investor’s expected exit value.

Operational risks relate to the returns generated by the asset during the period it is held by the investor and whether these returns are sufficient to meet the cost of capital and investor yield expectations.

The point of acquisition is when the key judgements have to be made as to whether the investor accepts and understands the risks related to the asset and that the risks and expected returns have been duly reflected in the valuation. Buying smart requires knowledge, and an ability to look deep into the operation to fully vet risks (capital and operational) and opportunities to develop the business case and to support the required returns.

There is no substitute for detailed due diligence of the opportunity under review. Professional (e.g. legal, financial) advice in relation to some aspects of due diligence should be sought as required.

DUE DILIGENCE KEY ELEMENTS

1. Market	Economic climate Generators of demand / visitation Diversity Segmentation Competition
2. Site and surrounding area	Location Competitor locations Transport Visibility
3. Property	Physical Layout Technology
4. Competitive positioning	Market share Competitive positioning Operator Brand suitability
5. Financials	Funding Audited actuals Stress tests Terminal capitalisation rate Expected exit value
6. Legal	Contracts Letters of intent Lending agreements Management agreement

Market analysis

The hotel investment market has been historically cyclical. Timing the investment at the correct point of the market cycle is a key determinant of likely returns over the holding period. The economic vitality, size and nature of the local market are also key factors to consider.

Market diversity and a variety of demand generators will make a location most attractive. Diversified markets generally have lower volatility and will be less vulnerable to seasonal or weekday/ weekend fluctuations.

Segmentation analysis helps clarify the major types of demand and the investment's vulnerability to demand shifts. Understanding the existing and proposed competition locally is critical to the investment decision, including relative market share, penetration and price/ value offering to customers.

Attitudes to London and regional pricing in the UK, illustrate the importance of these factors in the minds of investors. Investor demand remains high for London hotels and pricing has been strong on assets which have sold such as Crowne Plaza Shoreditch and The Hoxton. Investors remain cautious about investing in regional hotels and pricing expectations remain an issue.

Site and neighbourhood

The more flexible the property site is for use as a hotel, the more valuable the investment will be, including the basics such as its size, layout, utilities and key location factors such as proximity to transport and hotel demand generators.

Surrounding land uses and indicators of growth, stability or decline should be carefully considered. Again, competitors should be evaluated in relation to their proximity and visibility to current and future generators of demand by comparison with the investment property.

Property

The condition of the property will also be a key factor in determining the value of the investment, since the requirement for major investment in the fabric of the asset will reduce the return on the investment, and is likely to mean that the hotel will not be operating at full capacity whilst any refurbishment works are being undertaken.

The suitability of the property (or flexibility to change) in order to meet the requirements of the investor's brand, local market demand, segmentation and competitors is an important assessment. Infrastructural matters such as the ICT systems should also be examined carefully.

Competitive positioning

It is essential to understand the property's competitive positioning with respect to other local facilities. This draws upon the information gathered from assessing the property site and facilities, local hotel and economic trends, demand characteristics and segmentation, competitors and will enable a forecast to be produced of the probable future trends in the investment's market share, occupancy and revenues.

The selection of operator may be an important aspect of the investor's strategy, ensuring that the high standards required by the investor's brand and the asset's competitive position are maintained.

Financials

Undertaking detailed financial analysis of potential scenarios enables the investor to assess the impact of uncertainties (e.g. lower than expected occupancy, inflation, increased cost of capital upon the return from the investment), and to consider whether viable mitigations can be established to manage the consequences of such events. Such stress testing typically covers the investment life and considers projected income and expenditure and EBITDA based on assumptions made regarding projected occupancy and ARR, cost of capital and inflation. The demise of Von Essen and Ramada Jarvis during 2011 underlines the importance of undertaking financial stress testing that challenges assumptions thoroughly.



Legal

Legal advice is important to confirm the terms of all contracts entered into or transferred to the investor as part of the acquisition. This should be comprehensive and cover for example major group booking contracts and frequent traveller programs, as well as the core legal and financial agreements in relation to the asset. A good understanding of the contractual risks should prevent any surprises or unforeseen liabilities arising once the acquisition has been confirmed.

Ensuring risk continues to be managed

In PKF's experience, the due diligence process is undertaken thoroughly by most professional investors, and investment decisions are generally made on the basis of a good understanding of the associated risks and rewards. However, the completion of the acquisition is not the end of the process. Investors need to ensure that they continue to receive regular information on the performance of the asset and any changes to the risks and rewards identified at the point of acquisition. The principal hospitality industry metrics have been developed over the last ten years and refinements have been made to the information required by investors and operators alike.

HOTEL SECTOR PRINCIPAL KPIs

Occupancy %	TrevPAR £
ARR £	Payroll %
RevPAR £	GOP PAR £

These KPIs have been complemented by the development of more sophisticated "competitive sets" and advances in revenue management techniques. Whilst this data is very useful, much of it reflects historic performance, so although it may assist investors in challenging operator performance it does not enable them to understand whether there has been a shift in the risk and rewards balance that they accepted when they acquired the asset.

Bridging the confidence gap

PKF believes that the only way for investors to be sure that the assumptions they made at the point of acquisition remain valid, is to revisit those assumptions in as much detail as they did when undertaking due diligence. This remains the best practice approach, but to limit the cost, the extent of the review can be targeted towards those areas where the investor has particular concerns, or where insufficient reliable data cannot be obtained from the operator. Market and competitive positioning surveys appear to be considered particularly useful by investors. Such reviews tend to be commissioned when there are concerns about the operational performance of the investment, especially when EBITDA is lower than expected. In these circumstances, it may also be wise for the investor to arrange for the performance data and the underlying control framework to be audited, to ensure that they can have confidence that the information that they are receiving reflects the true performance picture, enabling them to make a judgement accordingly.



HOSPA President Robert Cook makes his mark at De Vere Village Urban Resorts

Just six months after being appointed chief executive of mid-market hotel group De Vere Village Urban Resorts, Robert Cook is making his mark with a re-launch of the brand. He tells Janet Harmer why there is so much to shout about the mid-market group.

What encouraged you to take over the helm at De Vere Village in January, after eight years as chief executive of Malmaison and Hotel du Vin?

Eight years is a long time in one job and I was ready for a new challenge. Once I announced I was leaving Malmaison and Hotel du Vin, the phone started ringing, and offers included several opportunities which would have involved a lot of overseas travel, but, with a young son, I wasn't very keen on taking on such a position. Interesting roles at Mitchells & Butler and InterContinental Hotels Group were amongst them, but they weren't right.

Andrew Coppel (De Vere Group) called me in for a chat and I was immediately interested as I have huge respect for Andrew and was keen to work for him. I liked the idea that the Village brand was one that could be put up in lights and that there was an aggressive growth strategy over the next three to five years. Village had been run exceptionally well by Gary Davis (now in Cook's old role at Malmaison and Hotel du Vin), but I knew I could approach the role from a different point of view.

What are you most proud of regarding your time at Malmaison and Hotel du Vin?

There was a lot of cynicism when MWB took over Hotel du Vin, with suggestions that the brand would lose its identity, but we successfully ran and grew it alongside Malmaison, with each retaining its own distinctiveness. But, what I'm most proud of is the number of great people we grew, and opportunities we provided for them, through the cross-fertilisation of the brands – assisted of course by Sean Wheeler and then Mike Williams as group director of people development, who has now joined Cook at Village Urban Resorts.

What do you see as your biggest challenge at De Vere Village?

It is a relatively unknown brand which has always sat under the umbrella of the De Vere Group, and it is my job to get its name out there. It has its roots in the north-west and is well developed across the north of England and the Midlands, but has yet to make an in-road into Scotland or the south-west.

Many people regard it as a budget brand with a swimming pool attached, but it is much more than that. It is a mid-market brand encompassing everything under one roof – great bedrooms, good food and beverage, hugely complex health, fitness and spa facility, as well as large function spaces. Village is a unique, affordable, urban resort and there is no other group like it in the UK, or even in Europe or the United States. There is an awful lot about the brand to shout about.

You mention an aggressive growth strategy, how many new Village hotels are being planned?

We hope to open 15-18 new build hotels within three to five years. Four are under negotiation for Aberdeen, Edinburgh, Glasgow and Portsmouth, which are all expected to be open between the end of 2013 and spring of 2014. Then we are looking at other sites around the M25, such as Bracknell and Crawley, as well as university cities including Oxford, Cambridge, Bath, Bristol, Durham and York. Traditionally, the hotels have been outside the city walls, close to motorway exits and within prominent business parks. We're still looking at these sites, but we want to also jump over the city walls and move closer to – but not in – city centres. This way we will introduce Village to a wider audience.

What is the criteria for a new-build Village hotel?

We currently have a mix of some older properties, alongside the five newest hotels which are situated within the iconic black Village box. Each new one will replicate the black box with 122 bedrooms, one key food and beverage space and 20,000sqft of leisure. We need a site of around 3.2

acres for every new development, which is quite considerable for the size of hotel, but we need that amount of space for the extensive car parking required for the leisure facilities.

How will the expansion be financed?

It will cost around £19m to develop each hotel. We have also got a very supportive bank in Lloyds, which are keen to see us grow. The company currently owns all the Village hotels, but we expect growth to be through a mix of owned and leasehold properties.

How are you putting your own stamp on Village?

First and foremost we have announced the new brand name Village Urban Resorts, along with a new strap line: "Live life. Love life". This for us defines the brand as an affordable lifestyle proposition, available to the masses. Under the roof of each village we have several sub-brands which we have also rebranded as: Victory Pub & Kitchen, Velocity Health & Fitness, Viva Urban Spa and Upper Deck Village bedrooms.

How are you developing the food and beverage?

Currently the hotels have two kitchens serving the Victory Pub & Kitchen on one side off the property and the restaurant on the other, which is either the Verve Bar & Grill or Buca di Beppo, the American/Italian concept which we run under licence from American-based restaurant entrepreneur Robert Earl. However, all the new hotels will have just one kitchen serving the newly named Victory Ale & Chop House in which the pub will move through into a restaurant. One kitchen will allow the F&B to function more efficiently.

Group executive chef, Keith Shearer, who came with me from Malmaison and Hotel Du Vin, has created a menu which is celebrating the best of British classic pub dishes, such as proper pork scratchings, Scotch egg with curried mayonnaise, and mince tatties. The pub element will have a British sports bar feel with football on the television, open fires, a fun atmosphere and great local beers. We've got rid of all pre-prepared food, everything will be freshly cooked.

Each Village also has a Starbucks coffee shop, which works very well alongside the leisure facilities and as a hub for people coming in and out of the hotels.

Health and fitness at Village is a unique offering for a UK hotel group. What do you provide?

Village Health and Fitness is being rebranded as Velocity Health & Fitness and will continue to be a key part of the development of all new Village hotels. Our leisure facilities are second-to-none - when compared to what other hotels offer, we are actually competing with the likes of David Lloyd and Virgin clubs.

There are an average of 4,000 members for each fitness club, which drives business all day to the hotel. The extensive facilities include 25m pools, 90 running stations in each gym and aerobic studios with a comprehensive programme of classes.

What are your plans for the spas?

We are converting seven of the 16 Healthworks Spas into the new-look Viva Urban Spas this year, with the rest being rebranded next year. We are entering into a partnership with Espa, who will become our sole supplier of products and provide training and development for the staff, but we will maintain the management of the spas.

It is our intention to build up the spa break business – which will help drive room rate - by creating more dishes that appeal to spa users in the restaurants and bedrooms which have a feminine and soothing touch through the use of lighter colours. We are currently trialling 10 rooms at the Chester St Davids hotel for spa breaks, which will include a spa bag with slippers, robes and gifts from Espa.

How do you hope to drive up the room rate?

It is important that we make the bedrooms work harder in driving up the average room rate, which is currently around £60. As a result, last month

we started trialling the UpperDeck offer in 20 bedrooms across three hotels in Chester St David, Solihull and Swansea.

For a supplement of £20, guests in the UpperDeck rooms will get a SweetDreams bed from Sealy with luxury mattress topper and Egyptian cotton linens, full Sky entertainment package including Sky Movies, Bose sound docks, Arran Aromatics toiletries, and an in-room Starbucks hospitality tray.

It is still early days, but the UpperDeck rooms have been going like a train. We aim to roll out 20 UpperDeck rooms in 14 hotels by September, with more opening in the rest of the properties during the following six months. Eventually, we will have around 1000 UpperDeck rooms across the existing portfolio.

Closely supervised revenue management – through our own website and third party channels – is fundamental to growing the room rate and is going to be the key driver for all business in the coming years. There is a real science to revenue management and I believe the revenue manager is going to become a bigger and bigger personality in hotels in the future as the driver of profitability in what is a volatile market.

How will you be staffing the expansion programme?

People growth programmes are being put in place, with the help of Jane Sunley of Learn Purple, to fulfil the pipeline of hotels. We won't be looking outside for key positions as there is already a huge amount of talent within the business which I am hugely energised by and plan to enhance to help grow Village.

THE VILLAGE STORY

Cook says that Village is a great name for the brand as it is unique in encompassing all elements of village life. "At the centre is a large buzzing lobby, from which you can peel off into different outlets – the pub, restaurant, Starbucks coffee shop, the leisure and spa facilities, and meeting rooms" he explains.

The Village group has had a strong focus on leisure, ever since the original one - still open today – was developed when bedrooms were added by the then owners, brewing company Greenall, alongside a squash club in Hyde, near Manchester, in 1978.

Today, the 25-strong group, enjoys an annual turnover of £170m, with revenue split 70/60/40 between food and beverage, bedrooms and leisure. Over 50% of income is generated from within a four-mile radius of each hotel.

ROBERT COOK CV

One of the UK's most high profile hoteliers – largely due to an eagerness to directly engage with the media – Robert Cook has the business running through his DNA having grown up in the Swallow Palace hotel in Peterhead, Aberdeenshire, run by his family. After graduating from Robert Gordon University in Aberdeen, he spent his formative years in the industry with InterContinental Hotels and as food and beverage manager of the Balmoral hotel in Edinburgh, upon its launch in 1991.

Cook began his first stint with Malmaison in 1997 and then, after the company was sold, went on to work with the group's founder Ken McCulloch as managing director of Columbus and Dakota Hotel Group in Monte Carlo. In 2004, he returned to Malmaison, now owned by MWB, as chief executive. Soon after, Hotel du Vin was acquired by MWB and added to Cook's responsibilities.

In 2006 Cook was awarded the Catey for Manager of the Year and in the same year Malmaison was named AA Hotel Group of the Year. In 2009 Hotel du Vin won the same award and for the sixth consecutive year scooped the Guardian Observer Business Travel Award for Best UK Hotel.

Cook is the president of HOSPA. Commenting on his role, he said: "I'm the president of HOSPA and I am delighted to be so, it is great to be involved in such a dynamic chapter in HOSPA's life".

First published by Caterer & Hotelkeeper, updated and reprinted with permission.

Visit the HOSPA Blog for Robert Cook's views on Bank Holidays.

The subtle relationship between **accounting & ownership models** in the hospitality sector



Jillian Malone
Managing Director of FM Recruitment

Jillian Malone is Managing Director of FM Recruitment, a long standing specialist financial recruitment business in the hospitality sector responsible for placing hundreds of candidates into key finance roles globally. With over 20 years focussing purely on finance roles, Jillian's knowledge of the field is unrivalled. FM Recruitment is part of the Hospitality People Group and can be found at www.fmrecruitment.co.uk

Hotels are living breathing assets which get worked very hard. Open 24/7 from the moment they launch, they are pushed hard to financially perform amidst a diverse range of external and economic pressures - many of which have been extreme and unpredictable in recent years. Being a Financial Controller in this sector can be both challenging and exhilarating. Many claim that it can give you a level of commercial insight and experience you would be hard pressed to find as an accountant in other sectors.

Jillian Malone of FM Recruitment knows just how hard hotels, as assets, can be worked and why that requires Financial Controllers with a keen commercial edge. But what does "commercial edge" look like in this context? Well that depends entirely on the ownership model of the hotel (group) you are working for. For relatively obvious reasons, different kinds of hotels will look for different skills in the financial staff they recruit.

In this article we are taking an in-depth look at Hotel Group Ownership from small, family-run unit to the global brands we're all very familiar with.

Models of ownership

With ownership trends which have emerged in the last 15 or so years, there are now four principal types of hotel ownership structures: privately owned and operated, managed, leased, and

franchised. Each of these will have quite different consequences for a financial controller - in terms of their focus and their role.

Especially for those finance professionals new to the industry or still coming to grips with the "big picture", let's very quickly review each structure, so that we are clear about what they are ...

- **Privately Owned and Operated.** *These are often smaller hotels or chains, where the owner bears all the cost and liability of operating the hotel.*
- **Managed.** *Hotels are increasingly moving into the realm of being owned and operated by different parties. Under this "managed" structure, private owners appoint a hotel management company with recognised brand names to run their hotel(s), improving the industry expertise or management experience available through their knowledge and success with similar sized hotels in the same segment.*
- **Leased.** *Hotels operating under the leased model are often privately owned premises controlled by someone other than the hotel operator. These are normally fixed on a long term basis, with rent being a fixed cost and sometimes a sliding*

scale of income to be paid to the leaseholder dependent on revenue.

- **Franchised.** This is a really effective method used by established hotel companies to expand their brands. Hotel owners engage a franchise partner under a franchise agreement to permit them to run their hotel under the “flag name” of an international chain, providing they meet stringent operating standards. This enables the owner to gain from the brand marketing, sales and reservation systems of the major group. Legally the franchise holder is doing this under a “dba” or “doing business as” name for contractual purposes. For example, c3,820 of InterContinental Hotel Groups (IHG) c4,480 hotels are operated as a franchise. They have c640 under management contract and directly own and operate just 11 hotels.

But what does this mean for a Financial Controller?

It is true that hotels in any of the four categories of ownership above will have a great deal in common. They all have a strong focus on revenue management. They're all largely affected by external factors (including regional events, the economy and travel events). They probably all care about customer loyalty and the impact of review sites. In many ways, “all hotels are equal”.

But for a Financial Controller, the model of ownership has quite an impact on their role day to day.

- **Perspective and drivers.** Each of the ownership models gives rise to a different set of stakeholders. So the analysis and accounting required will be different depending on who your lead stakeholders are - as they each have quite unique perspectives and different drivers.
- **Technical complexity.** The size of the corporate structure sitting above the hotel will often determine the level of technical accounting knowledge required in the hotel itself. For the largest group models, head offices might expect to deal with tax planning, regulatory financial accounting standards, insurance, audit and bank relationships to name a few. In an owner/operated property the Controller

may have to deal with all of these matters directly.

- **Multiple reporting requirements.** For more complex ownership structures, you may have accountability to report to one party, but actually also have a “dotted line” relationship with another party. Or perhaps you have to prepare information for wider consumption (for example to be sent to a central finance team for one of the big brands). The level and complexity of reporting will vary from one structure to the next.
- **Resourcing levels.** Clearly, the larger and more complex the organisation you work for, the more likely you'll have access to reasonable levels of support and resource - possibly even having a team of people working for you. Conversely, if you are working for a smaller, less complex operation, or an operation where revenue streams are not high, it might just be you and an assistant if you are lucky.
- **Accounting horizon.** As with almost any role, your “horizon” - or how far into the future you are expected to plan, report or otherwise apply your professional skills - will vary depending on the nature of organisation you are part of. As the financial controller of a hotel (or hotels), this can have quite an impact on the complexity of your work.

Whichever ownership structure prevails it is certain that the Financial Controller will need to be commercially focussed and operationally engaged as well as overseeing the bookkeeping aspects.

Ownership and technology changing faster than ever before

These days, getting the competitive edge not only means having all the data, but knowing what to do with it. Increasingly the role of the financial controller goes well beyond the role of being an accountant. In larger hotel chains an essential skill is to effectively use and understand the vast range of data segments available.

For example, if you're a Financial Controller for a hotel management company responsible for a collection of luxury segment hotels across a range of popular business and tourist destinations, then you will have a lot of competition. There will be pressure upon you to capture information and to find details in the figures which will guide commercial decisions, which in turn will impact investor returns in

the right direction.

Accounting requirements have also been further complicated in recent years by the growth in channels and marketplaces (largely online). While this leads to greater opportunity, it can also add significant complexity to the Financial Controller's role. So depending on how many online “partners” your organisation has, your accounting requirements may be significantly more complex than they would have been 15 years ago.

The changing face of the hyper-luxury segment

At the top end of the market, there are also some emerging trends which offer up some interesting opportunities for finance professionals with appropriate experience. With the hospitality sector showing increasingly consistent returns (a recent report by Investment Property Databank shows 6% returns in Europe for 2011, and a 5.1% return over a five year term) it seems luxury goods brands could be about to get even more focussed on hotel ownership.

In London we have recently seen the opening of a super-luxury hotel by the retail group Bulgari. It has also recently been reported that Qatar Holdings (owners of Harrods) have plans to develop Harrods branded hotels, a world-wide chain of hyper-luxury hotels.

The Bulgari Hotel in Knightsbridge, London, with 85 suites has seen a successful opening achieving an average daily room rate (ADR) well in excess of other hotels in its segment. Will we see more developments like this, and how will it impact opportunities for finance professionals?

Finance professionals should keep their eye on industry macro-trends

For Financial Controllers and indeed all finance professionals working in hospitality, it's important that you keep your eye on how the industry continues to evolve. Changing ownership structures, new niches and segments, and even new “hot markets” are all examples of macro-factors which can have an impact on your current role, or the next opportunity. You'd be well advised to stay informed, as this is an industry which will continue to change and evolve as it matures.

Redefining Revenue Management Culture

Revenue management has become an integral element of organisational strategy and it is important to ensure that all personnel work towards the same RM goals. This article, written by a Masters Student at Oxford Brookes University, will examine the value of developing and maintaining a revenue management culture.

Hayes and Miller (2010) argue that the revenue manager is only one part of what is a long line of personnel who affect RM practice within hotels. See Table 1.

Jones and Hamilton (1992) identified the need to develop a RM culture, as RM systems and technologies are only as good as the people “handling the data and making decisions based on the analysis”.

“...Revenue management is not just about a single person holding the title – it’s a hotel concern and to really benefit from RM the whole hotel needs to understand the role they play in optimising revenue performance”.

Jennifer Keen, Director at Total Revenue Solutions.

“RM systems are only as good as the people who put their trust in them. In order to have trust in them you need a RM culture...this can be achieved primarily through training”.

Neal Fegan, Executive Director of Revenue Management at Fairmont Raffles Hotels International.

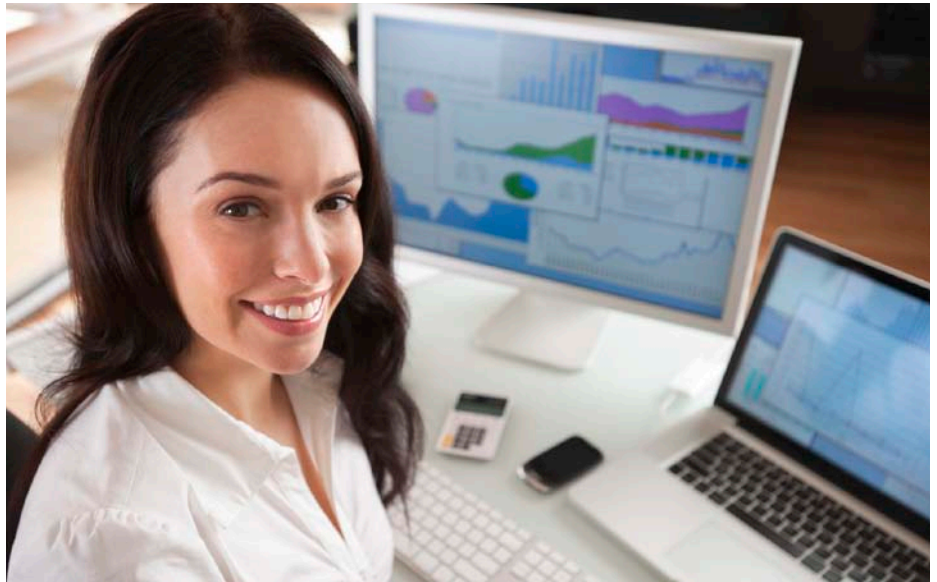


Table 1: Personnel within the RM function; adapted and synthesised from Hayes & Miller (2010:156).

Personnel	Role within RM function
Revenue Manager	Responsible for; planning, organising, directing and evaluating the team’s RM activities.
Organisations Administrators	Corporate managers and department heads all have an input into RM decision making. They must be kept informed about the actions of the RM team, and their goals must be considered when the RM teams makes RM decisions.
Sales & Marketing Staff	RM decisions are closely related to sales and marketing activities. In most cases, members of the S&M team will also be part of the RM team; their specific goals having a strong influence on the actions of the RM team.
Financial Administrators	A hotel’s financial accountants and controllers, as well as department managers responsible for their own accounts all form part of the RM team. It is important for the RM manager to understand the points of view put forward by these personnel in order to implement a strategy complementary with all financial goals.
Line-Level Employees	Line-Level employees as well as those holding mid-supervisory positions interact directly with guests. In many cases, RM plans fail because these individuals have not been given the information and training they need to properly communicate those plans to guests (Hayes and Miller 2011:156).
Intermediaries and Channels	Although not directly employed by hotels, these professional partners are all crucial aspects to RM success. Co-ordinating information exchange with them, understanding their needs and working hard to maintain good relationships with them are all crucial aspects of the RM function.
Guest and Buyers	It is only by keeping the needs of guests, clients, customers and buyers clearly in focus that the RM team can achieve their goals. Feedback is crucial to the quality of future decision making,

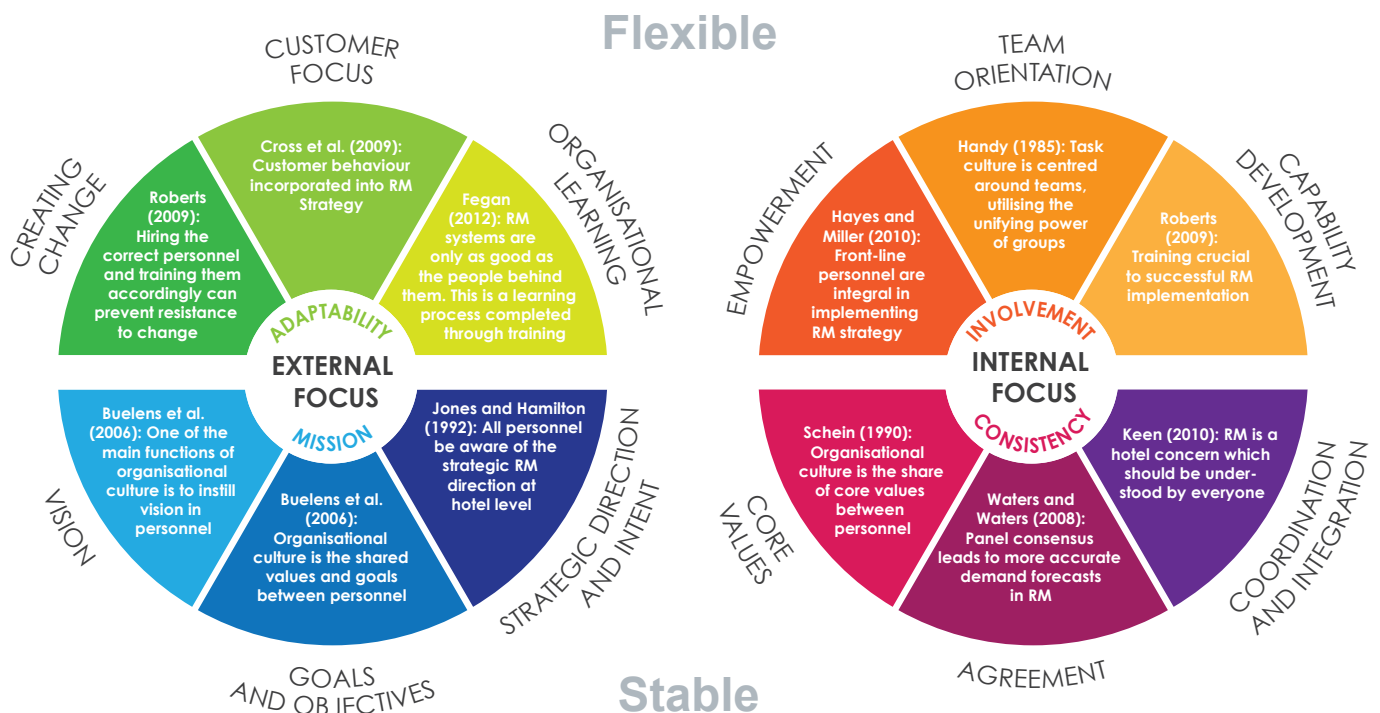
A study by Kemp and Dwyer (2001, cited in Kusluvan 2003:472) found that organisational culture at hotel level tentatively indicated a variety of positive and successful outcomes, including new ideas, increased creativity, easier coordination of tasks, more employee participation, decentralisation of power structures and decision making, shared goals and values, clear roles, high motivation and employee commitment. Further, Davidson et al. (2002) conducted a study into 14 hotels, and found a direct correlation between organisational culture, personnel perceptions and RevPAR. Although there are limitations to these studies, it can be seen that if RM culture exists as a parallel process of, or contributory factor to organisational culture, there is evident value in creating a RM culture; it is also extremely important to understand the value of organisational culture within the hospitality business (see Table 2). An academic model of organisational culture will now be explored in order for RM culture to be applied accordingly.

Table 2: Advantages of creating a strong organisational culture. Adapted from Eikenberry (2012).

Advantage of strong organisational culture	Advantage for the organisation
Attracts talent	The organisational culture is part of the package that prospective employees look at when assessing the organisation. The best people want an environment they can enjoy and succeed in.
Retains talent	The organisational culture is a key component of a person's desire to stay.
Engages personnel	Organisational culture engages people. Engagement creates greater productivity which can impact profitability.
Creates energy and momentum	Build a culture that is vibrant and allows people to be valued and express themselves and you will create a very real energy. That positive energy will permeate the organisation and create a new momentum for success.
Changes the view of "work"	When you create a culture that is attractive, people's view of "going to work" will change.
Creates greater synergy	A strong culture brings people together. When people have the opportunity to (and are expected to) communicate and get to know each other better, they will find new connections. These connections will lead to new ideas and greater productivity.
Makes everyone successful	The bottom line is that an investment of time, talent and focus on organisational culture will give you all of the above benefits. Not only is creating a better culture a good thing to do for the human capital in business, it makes good business sense too.

One of the most academically accredited models of organisational culture was developed by Denison (1995). This has since been updated more recently by Denison, Cho and Young (2000), see Figure 1.

Figure 1: Proposed model of RM culture adapted from Denison et al.'s (2000) elements of successful organisational culture.



It can be seen that by applying elements of RM practice, a tentative outline of a RM culture has been created.

Data from interviews found that there were five key areas of discussion around the topic of RM culture, these being; descriptions of RM culture, the importance of creating a RM culture, RM culture and its influence on the implementation of RM strategy, the creation of RM at hotel level and the personnel involved with a RM culture. Following, a survey was completed by 100 respondents. The results are analysed in the next section of this article.

Kemp and Dwyer (2001) found that organisational culture within hospitality created a group approach to tasks, culminating in shared goals and values.

This 'group' facet of organisational culture is built into the definition of RM culture which proved most appropriate. Further, the need for education and training in order to implement RM strategy and build organisational culture has been highlighted by a variety of authors such as; Roberts (2009), and Eikenberry (2012). These facets of RM culture were also highlighted during the interview:

"[...] It is extremely important from a RM perspective for all personnel to be working towards the same goals and to share the same values [...] In terms of training, I think it is more a case of educating staff around the area of RM [...] I think this does have a cross-over and identify a need for training". Interviewee

A tentative definition of RM culture (formed from the secondary data, and informed by the interview):

'A culture that creates a group approach to implementing revenue management strategy through training, education and communication'.

What is the value of creating a RM culture?

There is real value in creating a RM culture (Jones and Hamilton, 1992 & Keen, 2010), this was also confirmed by the results of the survey (see Figure 3).

"[...] I think it is really important to create a RM culture at hotel level...I think it brings everyone together as a team." Interviewee

It was found that 65% of respondents rated the importance of creating a RM culture as 10. 14% of respondents rated the importance as 9 out of 10, and 12% as 8 out of 10.

Figure 2: The percentage of respondents who selected each tentative definition of RM culture.

Which of the following definitions best describes a 'Revenue Management culture'?

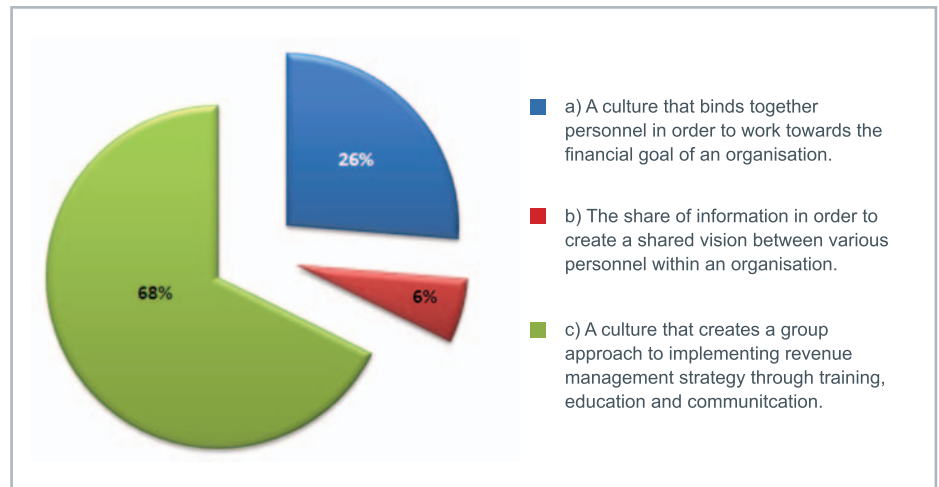
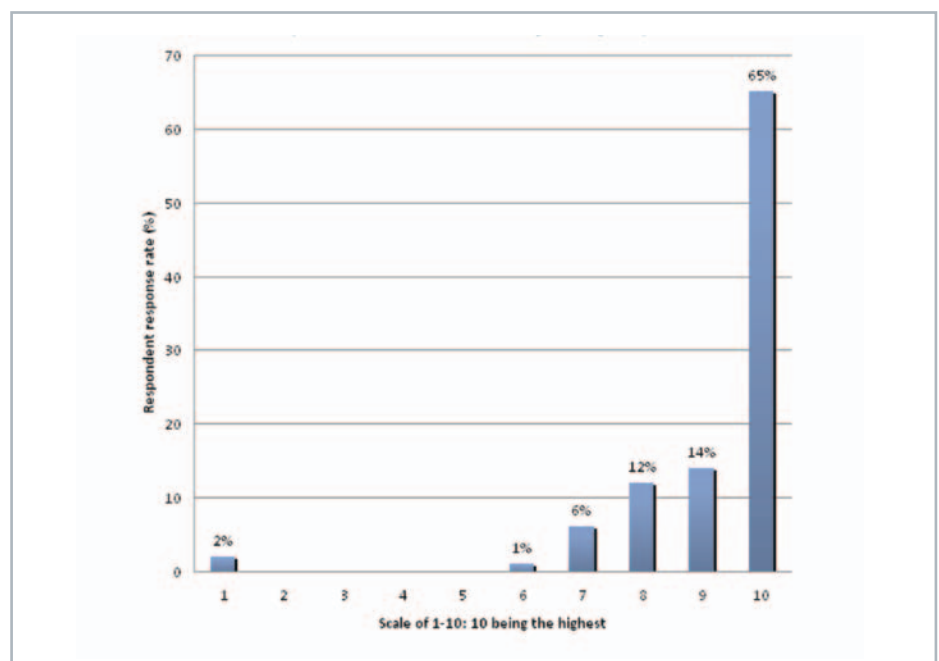


Figure 3: Graph showing the importance of creating a RM culture at hotel level according to 100 internet survey respondents.

How important is it to create a 'Revenue Management Culture' at hotel level? (on a scale of 1 to 10: 10 being the highest)



Survey results also strongly confirm the importance of creating a RM culture at hotel level (see Figure 4).

Research shows that the true value of RM and RM culture lies within the personnel involved with the operation (Cross et al. 2009, Davidson 2003). Vinod (2003), Sanket and Bowen (2004) and Cross et al. (2009) all argue that there is evident value of implementing RM strategies at hotel level. Additionally, Buelens et al. (2006), Schein (2010) and Eikenberry (2012) all argue that organisational culture has many benefits at hotel level, including; engagement of personnel, creation of energy and allows for better implementation of strategies. The survey findings amalgamates the arguments for value creation through implementation of RM strategies and value creation through creation of organisational culture as put forward by the aforementioned authors. As 92% of respondents agreed, the survey findings strongly suggest that the creation of a RM culture allows for better implementation of RM strategies (see Figure 5).

Personnel in RM culture

It was highlighted during the secondary research that there are various personnel considered to be integral to the RM function (Cross et al. 2009, Hayes and Miller 2010). The interview, alongside the secondary research developed the argument that all personnel at hotel level were involved in the RM function and needed to be aware of the RM vision. Hence, the argument deduced was that all personnel needed to be involved in the RM culture. An interview quote below shows this understanding.

“[...]Everybody who works at a hotel is involved in revenue management, everyone, even a housekeeper”
Interviewee

It can be seen from Figure 6 that this may however not be the case. There were high concordance rates for personnel such as; the revenue manager, general manager, financial controller, sales and marketing team, heads of department and front line operations personnel, which were put forward within the secondary literature (Hayes and Miller 2010, Fegan 2012 and Keen 2010).

Figure 4: Survey findings; the importance of creating a RM culture at hotel level.

How strongly do you agree with the statement: “It is in the best interests of an organisation to create a Revenue Management culture at Hotel Level”

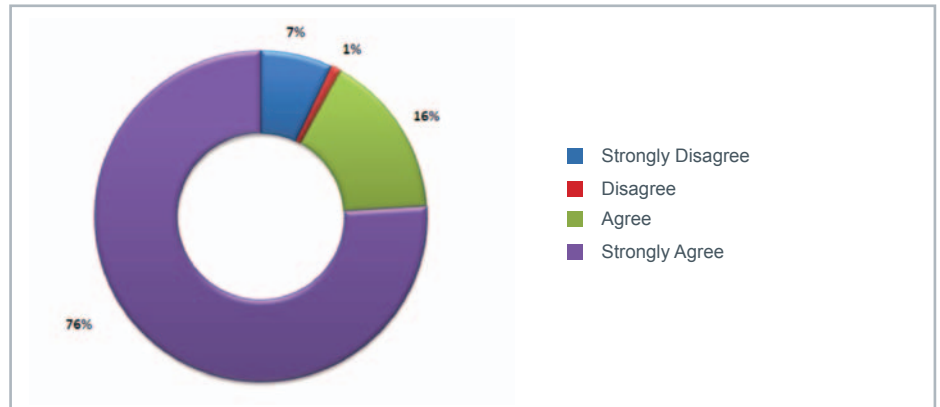


Figure 5: Survey findings; whether a RM culture allows for better implementation of RM strategies.

How strongly do you agree with the statement: “A Revenue Management culture allows for better implementation of Revenue Management strategies”?

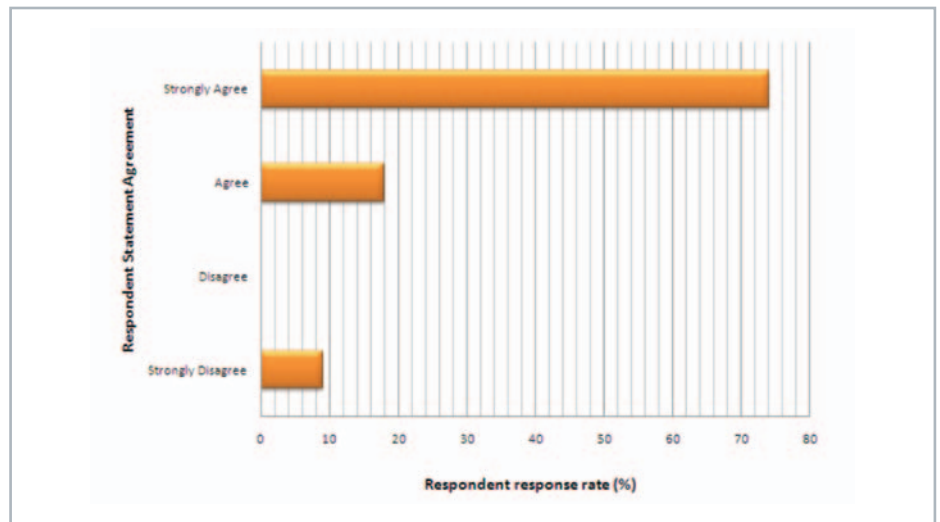
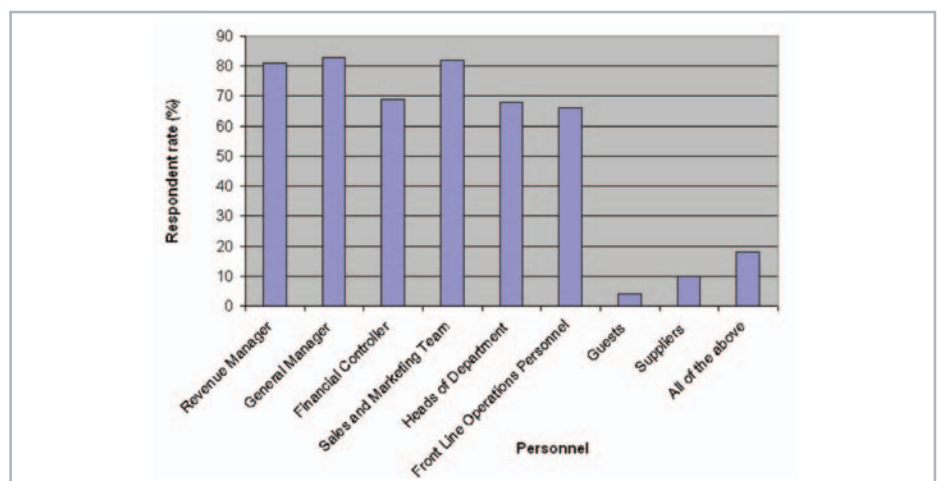


Figure 6: Survey findings; who needs to be aware of revenue management vision?

Who needs to be fully aware of the Revenue Management vision at hotel level?



However, respondents did not believe that guests and suppliers needed to be fully aware of the RM vision. This counter argues the belief by Hayes and Miller (2010) that guests and suppliers have a role within the RM function.

Table 3 is a synthesised account of the survey findings with the RM personnel as outlined by Hayes and Miller (2010:156).

Evidently there is an internal element to RM culture, whereby the RM culture incorporates personnel within the hotel at hotel level, but takes into account the needs of external personnel without them being part of the culture. This is supported by Cross et al. (2009) and Roberts (2009) who believe that RM practice has evolved to the point that an understanding of customer behaviour is incorporated into the RM strategies employed.

Table 3: Synthesised account of survey findings and RM personnel adapted from Hayes and Miller (2010:156).

Personnel	Role within RM function	Internet survey findings
Revenue Manager	Responsible for: planning, organising, directing and evaluating the team's RM activities.	81% agreed
Organisation Administrators	Corporate managers and department heads all have an input into RM decision making. They must be kept informed about the actions of the RM team, and their goals must be considered when the RM team makes RM decisions.	62% agreed
Sales and Marketing Staff	RM decisions are closely related to sales and marketing activities. In most cases, members of the S&M team will also be part of the RM team; their specific goals having a strong influence on the actions of the RM team.	81% agreed
Financial Administrators	A hotel's financial accountants and controllers, as well as departmental managers responsible for their own accounts all form part of the RM team. It is important for the RM manager to understand the points of view put forward by these personnel in order to implement a strategy complying with all financial goals.	69% agreed
Line-level Employees	Line-level employees as well as those holding mid-supervisory positions interact directly with guests. In many cases, RM plans fail because these individuals have not been given the information and training they need to properly communicate those plans to guests (Hayes and Miller 2010:156).	66% agreed
Guest and Buyers	It is only by keeping the needs of guests, clients, customers and buyers clearly in focus that the RM team can achieve their goals. Feedback is crucial to the quality of future decision making.	4% and 10% agreed respectively

Summary

From the literature and an interview with an industry professional, a tentative definition of a RM culture was identified and the value of creating a RM culture was assessed in light of findings from a survey answered by 100 members of a revenue management related LinkedIn group. It was found that there is real value in creating a RM culture and that this allows for better implementation of RM strategies. Finally, survey findings show that there are a variety of personnel involved with the RM culture at hotel level, but the findings suggest that RM culture has an internal element.

Recommendations for the hospitality industry:

- *Audit the extent to which a RM culture exists within their own organisation, in line with the tentative definition and description of a RM culture provided. This will identify whether or not efforts need to be exhausted in order to benefit from the value of creating a RM culture.*
- *Personnel are key to the correct implementation of RM strategy. It would be recommended for all personnel highlighted within the findings of this research to be trained with a basic knowledge of RM. It has been suggested within the literature reviewed that this can potentially benefit the bottom line figure of an organisation.*
- *Assess the potential benefits of creating a RM culture at hotel level. This does not have to be a costly process but ultimately has positive implications for the holistic hospitality industry.*
- *Invest in further research around the area of RM culture in order to build a better understanding of how this can impact upon organisations at hotel level.*

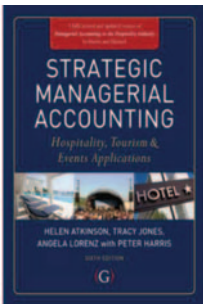
New titles in Hospitality from Goodfellow Publishers



Did you know about these new titles from Goodfellow Publishers? Did you know there is **15% discount on all Goodfellow books for HOSPA members? Quote HOSPADISCO** when ordering. Discount only available from www.goodfellowpublishers.com.

Strategic Managerial Accounting

by Tracy Jones, Helen Atkinson, Angela Lorenz with Peter Harris



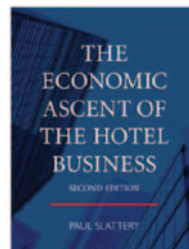
Formerly known as *Managerial Accounting in the Hospitality Industry* by Harris and Hazzard, this new edition builds on this successful and well known text, retaining its practical approach and active learning style, extending to consider strategic management accounting and to include tourism and events management industry contexts.

This new 6th edition incorporates discussion, explanations and illustrations of the theoretical underpinning of hospitality, tourism and events related to SMA and managerial accounting concepts and techniques, together with specific examples of industry application. It has a user friendly chapter structure, with

pedagogic features including objectives, learning activities, self check questions, references, and key points summaries. Each chapter includes 'theoretical context' sections which put the applied learning in the context of current research and thinking to bring the theory to life.

The Economic Ascent of the Hotel Business

by Paul Slattery

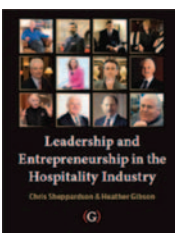


The Economic Ascent of the Hotel Business is about the hotel business and the economic contexts in which it has evolved. Now in its second edition, it is fully updated throughout and incorporates the monumental changes in the economic landscape of recent years and their effects on the hotel business. It also includes a new chapter which examines the options for the world economies, their implications for the hotel business and their impact on hotel chains in the decade to 2020.

Slattery illustrates that over the past 250 years the structural ascent of economies has driven the economic ascent of the hotel business to reach a global replacement cost of \$3 trillion. As the structure of the world economies ascend from agriculture through the industrial, public service, service business and experience business segments so hotel demand and supply grows and diversifies and hotel chains emerge and grow to dominate the business. Slattery projects that by 2030, global hotel room stock could double to 30 million, the global major chains could triple to 12 million rooms and global replacement cost could triple to \$9 trillion.

Leadership in the Hospitality Industry

by Chris Sheppardson with Heather Gibson

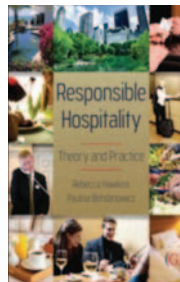


Many aspire to be leaders and entrepreneurs where they too could set the tone of business. This is particularly true in the hospitality industry where entrepreneurship is a dominant force, yet few people understand what it demands to be a leader in the sector. Much has been written over the years about leadership and entrepreneurship; this insightful and widely researched new book is unique however in focusing on the contemporary hospitality industry. The text is based on over 100 in-depth interviews with leading hospitality entrepreneurs in all sectors of the industry internationally. It

moves away from a purely theoretical perspective to focus on the practical issues—the skills, attitudes, motivations and decisions of proven entrepreneurs.

Responsible Hospitality

by Rebecca Hawkins and Paulina Bohdanowicz



The smartest companies in the world have effected a remarkable change in attitudes towards big business. These companies have effectively positioned themselves at the forefront of the responsible business movement – delivering not only profitability for their share holders, but also the promise of a potent combination of environmental protection and social justice in the locations in which they operate. The allure of this promise has attracted a powerful band of followers to the responsible business movement including policy makers, voluntary sector organisations and consumers.

Using the mainstream responsible business literature, this book defines the ten principles of responsible business and assesses the extent to which global hospitality businesses have addressed them. Using case studies from leading global players (including hospitality companies), the book demonstrates what can be achieved by business laying claim to responsible business programmes and what can go wrong.



15% discount
on all
Goodfellow
books for
HOSPA
members



Klaus Kohlmayr
Senior Director of IDEaS Consulting

Klaus Kohlmayr is the Senior Director of IDEaS Consulting, for IDEaS Revenue Solutions, the global leader in Hospitality Revenue Optimization. (www.ideas.com). He is responsible for leading and growing the revenue management consulting and advisory division assisting clients in the Hospitality and Travel sector worldwide to develop, implement and enhance best practice revenue optimization, pricing and forecasting strategies and tactics.

Why assuming is dangerous when it comes to revenue strategies

If forecasting was easy, all weathermen would be rich. In these erratic and uncertain times, pricing decisions will have one of the biggest impacts on hotel profitability. It is more vital than ever that revenue managers understand industry best practice and the latest supporting technologies, to ensure their hotel rooms and services are priced at the right rate regardless of periods of high or low demand.

A successful market pricing strategy will mean maximum sales of rooms and additional services, through the balancing of perceived benefits and price. In developing this strategy, customer responses to price changes, market position and competitors pricing must all be assessed. The new reality for hotel pricing is that revenue management and dynamic pricing, a competency based on demand, length of stay and product mix, are inextricably linked. Dynamic pricing finds an optimal price through a sophisticated pricing strategy, based on demand as a function of price, to maximise revenue. There are a range of factors that need to be taken into consideration when determining how to successfully implement dynamic pricing strategies.

Look at the facts

Even with demand returning in the hotel sector and increasingly sophisticated pricing support technologies, few hotels are executing pricing strategy well. While it can be easy for emotions or gut feelings to influence decisions, revenue managers must put these aside and take a data driven approach to pricing - based on facts. As a starting place, hoteliers need to ensure they have detailed data that is both historical and forward looking. Historical data should include the number of occupied rooms and revenue, broken down into market segments by day, for a sufficient period of time, in order to make fact based decisions. If data is then collected every day, following it will allow hoteliers to establish simple booking pace forecasts by segment and day of week, from which they will be able to compare to historical data. If done consistently, it will allow hoteliers to adapt quickly to any changes when

demand picks up, and enable them to tweak their strategies accordingly. Sometimes something as simple as comparing occupancy and average daily rates (ADRs) can provide deep insights into pricing and revenue management opportunities, for example by assessing when ADR and occupancy do not move in tandem.

Take care with competitors

The uptake of web and mobile technologies has made it possible for prospective customers to quickly and easily find the cheapest prices available, but hoteliers need to be careful not to get sucked into continually matching competitor prices, and start a price war. This can erode profit margins ever further and damage a hotel's positioning. The longer a hotel discounts its rate, the more likely this lowered rate will become the reference price in the minds of consumers, making it harder for a hotel to lift its rates back to the original price.

While it may seem logical that lower hotel prices would stimulate demand for the hotel sector in general, demand for hotels has been found to be relatively inelastic. This means that when prices drop, the increase in demand won't be enough to offset the decreased rate to maintain revenues. Price wars create a lose-lose situation, therefore price matching and deep discounting should be avoided.

But of course competitors' prices and offerings cannot be ignored either. First and foremost for the successful optimisation of revenue performance, it is crucial hoteliers take a long term, strategic view, including a rational approach to competitor pricing. In the long-run this will be far more profitable than making impulsive pricing decisions, which only have short term benefits. To do this, it is crucial that hoteliers understand who their true competitors are. Competition comes in many forms. A hotelier may think that the three big brand hotels down the road are their biggest threats, but anything from a hotel in an entirely different county to a family member's house can be in competition with a hotel's ability to sell its rooms and services. While it is easy to overlook these indirect competitors, it is just as easy to assume certain hotels are main competitors, when a closer look may reveal in actual fact they are not.

To avoid common pricing and competitor strategy mistakes it is important hoteliers research their competition. Information is a key commodity for the hotel industry and it is imperative hoteliers start collecting information, not just about their own patch, but on competitors as well.

A good starting place is for hoteliers to understand where their hotel sits compared to others, on both price and a guests' perceived value. Perceived value is derived from the hotel's attributes, including its location and amenities. One useful way hoteliers can get a clear picture is by mapping the information on two axes, with the vertical axis representing rate and the horizontal representing average value. Hoteliers should use their own hotel as a reference at point zero, where the two axes cross. Next competitors should be plotted against the reference hotel. This will quickly show which competitors pose a real threat or not. The biggest threats are those which have more attributes and are less expensive, appearing in the bottom right quadrant. To gain an edge on the competition in this matrix, it will be obvious that hoteliers will either need to look at changing price or perceived value offered.



In analysing competitors it is also important to take seasonal changes into account, including weekday versus weekend patterns and on and off peak seasons, which could affect where a hotel sits in relation to another on the graph at different times.

Make a strategy

Once hoteliers know where their property sits in relation to competitors, and the company has identified its own trends in ADR versus occupancy, management can start putting strategies together to find the optimal set of prices and maximise profit. To minimise the reliance on reducing room rates to attract customers in a competitive environment, hoteliers should look at ways to increase their competitive advantage through increasing their value offering, including during periods of low demand.

This should also include targeting specific customers, with price and value to capture a range of markets. The positioning of key products to key market segments is a vital aspect of dynamic pricing.

Although demand is on the rise, hoteliers considering increasing prices accordingly must look at where they sit alongside their closest competition and remember that the only way to operate at higher rates than competitors is to deliver true value that cannot be matched. It is crucial that additional value is emphasised to potential customers, otherwise a hotel risks losing potential guests to the competition.

Any changes in price should be monitored closely for impact on levels of demand. This information can then be used to control demand accordingly, using daily revenue management and pricing strategies.

In addition to ensuring the correct prices are allocated to the correct rooms, it is also vital that these rates are distributed and shown to all available channels to maximise bookings. Hoteliers must ensure their hotel is well represented in all key channels. Establishing win-win relationships with those distribution partners can really help generate incremental business. It is also important hoteliers use historical and future channel benchmarking information from third party vendors to understand where they are falling short against their competition and when competitors are moving their rates.

In these interesting times, an effective pricing strategy that makes the most of latest technologies is a way that revenue managers can maximise profits, in the face of waning or soaring demand. Having the right information is also key, as well as continually monitoring impacts caused by changes in strategy. While it is important to take competitors into consideration, when looking to maximise revenue, it is also important that long-term strategies win out over short-term price wars, which make everyone worse off.

Industry news in brief



NEW BOUTIQUE HOTEL FOR LONDON

Qatar-based Souq Waqif Boutique Hotels recently opened the Adria Hotel in west London. The 24-room property, operated by Al Rayyan Hospitality, is housed in a converted

Victorian townhouse, dating from 1870, that underwent a five-year renovation to transform it into a boutique hotel. This is the group's first hotel outside of Qatar; it currently has four hotels in Doha (also operated by Al Rayyan Hospitality) around the city's famous market, the Souq Waqif, and another two are due to open before the end of the year. The group isn't just out to make its mark on the hotel world, however, as it is also opening 12 restaurants in Doha over the course of 2012.

HILTON'S BIG VENTURE IN BIRMINGHAM

Hilton Worldwide has opened its tenth hotel in the UK in the city of Birmingham, in England's Midlands region. The 285-room Hampton by Hilton Birmingham is the largest Hampton-branded

hotel to open outside of the Americas. The hotel, which is operated by Sanguine Hospitality, is housed in a former derelict office building which cost a reported £30 million to renovate. This is Hilton's second property in Birmingham, alongside the 90-room Hampton by Hilton Birmingham/Star City. Hilton expanded its Hampton brand by opening a total of 31 new properties (3,469 rooms) worldwide in the first half of 2012, four of which are in Europe.

THREE LITTLE PIGS TO SET UP HOME IN ENGLAND

After opening its first hotel, the 26-room Pig, in England's New Forest National Park last year, Home Grown Hotels is to expand the brand with a hotel in Studland Bay in the county of Dorset and a 12-room bed and breakfast in the city of Southampton, both on England's south coast. The group has exchanged contracts with Andrew and Karen Pukis for the leasehold of the 23-room Manor House in Dorset, a National Trust property that was built in the early 19th century, for around £3 million. The deal is expected to be completed this November, after which the hotel is to undergo a major refurbishment and will open in June 2013 as the Pig on the Beach. Opening in September 2012, the bed and breakfast property will be known as the Pig in the Wall, and the first hotel in the portfolio is to be renamed as the Pig in the Forest.

REPRODUCED WITH PERMISSION FROM THE HVS EMEA HOSPITALITY NEWSLETTER

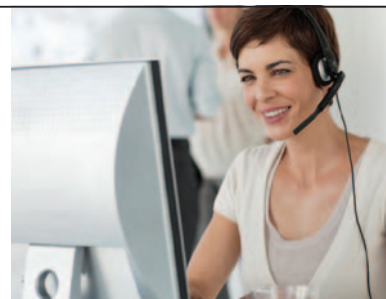


- protel Property Management System (PMS)
- Xn globalRES Electronic Distribution and Channel Management Solution
- Xn Business Intelligence
powered by QlikView
- Xn dotPOS Electronic Point of Sale (POS)
- Synergi Enterprise Performance Management System



0845 094 2220

www.xnhotels.com sales@xnhotels.com



UK CHAIN HOTELS MARKET REVIEW - MAY 2012

The London hotel market refuses to slow down as the main event moves into sight

Hotels in London achieved a fifth consecutive month of strong profit growth in May as rehearsals for London's summer of celebration got under way, according to the latest HotStats survey of approximately 560 full-service hotels across the UK by TRI Hospitality Consulting.

With the beginning of the London Olympics now being measured in days rather than months, the statistics for May suggest that leisure visitors to the city are fuelling a consistent year-on-year increase in headline performance levels, which included a 2.6% increase in Gross Operating Profit per Available Room (GOPPAR) to £79.86.

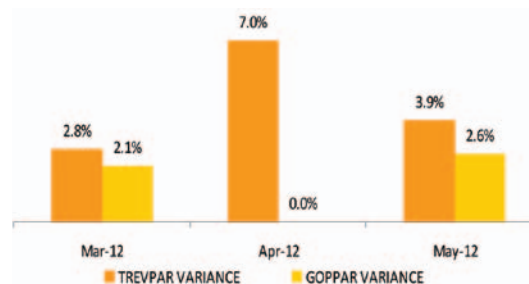
In May, room occupancy increased by 1.5 percentage points to a staggering 84.1%, with the growth in volume primarily attributed to the leisure sector, which increased by 3.1 percentage points to 21% of total demand. Demand in the city was boosted by Olympic test events throughout the month of May, many of which have taken place at the Olympic Park in Stratford, including the Water Polo International, Invitational Hockey Tournament, Disability Athletics Challenge and Synchronised Swimming Qualification.

Despite increases in achieved rate in the corporate (+2.5%) and conference (+5.2%) segments, the city's hoteliers have witnessed a cumulative four percentage point decline in the proportion of demand attributed to these sectors as business visitors have unsurprisingly become more wary about visiting the capital as the Olympics threatens to negatively impact business activity.

"Whilst we have yet to see much sun, we are well into the summer of celebration, which London hoteliers have been hoping will drive the demand for hotel accommodation and allow for increases in headline performance levels. So far in 2012, performance records have been consistently smashed, but in the coming months the hotel industry will provide a real barometer of the benefit these events will have on businesses in the capital and beyond," said Jonathan Langston, managing director at TRI Hospitality Consulting.

In addition to the increase in rooms revenue, the London hotel market recorded strong increases in ancillary departments including food and beverage (+4.0%) and meeting room revenue hire (+2.9%) per available room; which contributed to a 3.9% increase in Total Revenue per Available Room (TrevPAR) to £161.28.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats London Main KPIs

LONDON

	May '12	May '11	Var b/w		YTD '12	YTD '11	Var b/w		
Occ %	84.1	82.6	1.5	▲	Occ %	78.4	77.0	1.4	▲
ARR	139.86	137.38	1.8%	▲	ARR	128.46	124.84	2.9%	▲
RevPAR	117.57	113.43	3.6%	▲	RevPAR	100.71	96.09	4.8%	▲
TrevPAR	161.28	155.24	3.9%	▲	TrevPAR	138.95	133.44	4.1%	▲
Payroll %	22.7	22.5	-0.1	▼	Payroll %	25.6	25.8	0.2	▲
GOP PAR	79.86	77.85	2.6%	▲	GOP PAR	62.03	59.46	4.3%	▲

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

Provincial hoteliers fail to maintain growth and fall further behind historic position

The 2.9% decline in profit per room suffered by hotels in the Provinces in May signals a return to negative growth following a short respite during April, according to the latest HotStats survey of approximately 560 full-service hotels across the UK.

The 2.9% decline in profit per room suffered by hotels in the Provinces in May signals a return to negative growth following a short respite during April, according to the latest HotStats survey of approximately 560 full-service hotels across the UK.

The month of May typically heralds strong levels of commercial demand at Provincial hotels after the primarily leisure-led month of April. But this month year-on-year achieved average room rates have declined in both the corporate (-2.1%) and residential conference (-0.2%) segments and hotels in the regions suffered a cumulative decline of 2.4 percentage points in the proportion of demand attributed to the commercial sector.

Whilst this month hotels in the Provinces were once again able to achieve an increase in RevPAR (+2.3%) to £51.78, due to growth in both room occupancy (+1.1 percentage points) and achieved average room rate (+0.7%), declining ancillary revenues and rising costs left profit at hotels in the Provinces well below the same period in 2011.

The much maligned travel agent's commissions were once again a focus of concern for Provincial hoteliers as this measure increased by 8.4% on a per room let basis, to £4.53, equivalent to 6.4% of rooms revenue.

This resulted in an achieved Net Average Room Rate of £60.38 for May, against £60.47 during the same period in 2011, with the

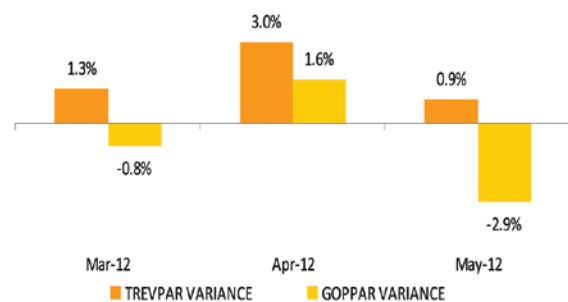
unique HotStats survey revealing that headline performance in the rooms department in the Provinces appears to be moving backwards, despite the familiar message from the market stating that RevPAR is growing.

A profit conversion of approximately 31% of total revenue during May left hotels in the Provinces well above the year-to-date average of approximately 24% of total revenue. However, as a result of the downward movement in May, year-to-date profit per room at hotels in the Provinces is now 4.7% behind the same period in 2011 at £20.85.

On a positive note, following a period of extremely challenging trading conditions in recent years, hotels in Liverpool put in a strong performance in May with an 11.2% increase in GOPPAR. This was driven by a 5.8% increase in RevPAR as volume in the city grew by 5.2 percentage points to 66% for the month.

"It is important to remember that whilst on a macro level the statistics suggest that hotels in the Provinces are nowhere near as profitable as they used to be and may never be at that level again, headline performance levels across the UK remain extremely varied and for every hotel which is struggling to make ends meet there is a story of success in the face of adversity," added Langston.

PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats Provinces Main KPIs

PROVINCES	Month-over-Month			Year-to-Date		
	May '12	May '11	Var b/w	YTD '12	YTD '11	Var b/w
Occ %	73.4	72.3	1.1 ▲	66.1	65.3	0.8 ▲
ARR	70.54	70.04	0.7% ▲	68.23	67.86	0.6% ▲
RevPAR	51.78	50.64	2.3% ▲	45.09	44.33	1.7% ▲
TrevPAR	97.70	96.84	0.9% ▲	85.42	85.00	0.5% ▲
Payroll %	30.9	30.7	-0.3 ▼	34.6	34.4	-0.2 ▼
GOP PAR	30.34	31.25	-2.9% ▼	20.85	21.88	-4.7% ▼

HOTSTATS Briefing Data

UK Chain Hotels - Performance report Currency: £ Sterling



The month of May 2012

	May '12	May '11	Var b/w	
TOTAL UK				
Occ %	77.2	75.9	1.2	▲
ARR	97.30	95.97	1.4%	▲
RevPAR	75.10	72.88	3.0%	▲
TrevPAR	120.24	117.52	2.3%	▲
Payroll %	27.0	26.9	-0.2	▼
GOP PAR	47.89	47.76	0.3%	▲
LONDON				
Occ %	84.1	82.6	1.5	▲
ARR	139.86	137.38	1.8%	▲
RevPAR	117.57	113.43	3.6%	▲
TrevPAR	161.28	155.24	3.9%	▲
Payroll %	22.7	22.5	-0.1	▼
GOP PAR	79.86	77.85	2.6%	▲
PROVINCES				
Occ %	73.4	72.3	1.1	▲
ARR	70.54	70.04	0.7%	▲
RevPAR	51.78	50.64	2.3%	▲
TrevPAR	97.70	96.84	0.9%	▲
Payroll %	30.9	30.7	-0.3	▼
GOP PAR	30.34	31.25	-2.9%	▼

The Calendar year to May 2012

	YTD '12	YTD '11	Var b/w	
TOTAL UK				
Occ %	70.5	69.5	1.0	▲
ARR	92.14	90.34	2.0%	▲
RevPAR	64.94	62.77	3.5%	▲
TrevPAR	104.53	102.26	2.2%	▲
Payroll %	30.3	30.4	0.1	▲
GOP PAR	35.55	35.27	0.8%	▲
LONDON				
Occ %	78.4	77.0	1.4	▲
ARR	128.46	124.84	2.9%	▲
RevPAR	100.71	96.09	4.8%	▲
TrevPAR	138.95	133.44	4.1%	▲
Payroll %	25.6	25.8	0.2	▲
GOP PAR	62.03	59.46	4.3%	▲
PROVINCES				
Occ %	66.1	65.3	0.8	▲
ARR	68.23	67.86	0.6%	▲
RevPAR	45.09	44.33	1.7%	▲
TrevPAR	85.42	85.00	0.5%	▲
Payroll %	34.6	34.4	-0.2	▼
GOP PAR	20.85	21.88	-4.7%	▼

The twelve months to May 2012

	Rolling '12	Rolling '11	Var b/w	
TOTAL UK				
Occ %	74.2	73.4	0.8	▲
ARR	94.54	92.23	2.5%	▲
RevPAR	70.15	67.71	3.6%	▲
TrevPAR	112.59	110.52	1.9%	▲
Payroll %	28.4	28.5	0.1	▲
GOP PAR	42.58	42.26	0.8%	▲
LONDON				
Occ %	81.9	81.7	0.3	▲
ARR	133.13	127.38	4.5%	▲
RevPAR	109.10	104.06	4.8%	▲
TrevPAR	148.81	144.08	3.3%	▲
Payroll %	23.8	24.2	0.3	▲
GOP PAR	71.59	68.92	3.9%	▲
PROVINCES				
Occ %	69.9	68.8	1.0	▲
ARR	69.28	69.03	0.4%	▲
RevPAR	48.40	47.50	1.9%	▲
TrevPAR	92.37	91.85	0.6%	▲
Payroll %	32.5	32.3	-0.2	▼
GOP PAR	26.39	27.44	-3.8%	▼

TRI Hospitality Consulting

Jonathan Langston - Managing Director | T 0207 892 2201 | E jonathan.langston@trihc.com
Ben Livingstone - Managing Consultant | T 0207 892 2205 | E ben.livingstone@trihc.com

HOTSTATS

Mark Dickens - Managing Director | T 0207 892 2207 | E mark.dickens@hotstats.com
David Stephens - Operations Manager | T 0207 486 2217 | E david.stephens@hotstats.com



Delivering Revenue Through Technology

- Property Management Systems
- Distribution Channel Management
- Social Media & Online Reputation Management
- Conference & Banqueting
- Central Reservation Systems
- Sales & Marketing
- PCI-DSS Compliance

For more information, please call

0800 413 557



www.guestline.com



Enrolling now for HOSPA Revenue Management Programme

HOSPA's Revenue Management course provides an entry route to Associate membership status with HOSPA. This route aims to provide a career path for revenue managers and directors in the hospitality industry. The course is developed to provide learning and development for aspiring hospitality revenue management professionals to gain the skills and knowledge required to manage hospitality revenue management divisions of the future, or to gain a more detailed understanding of the revenue management function of a hospitality organisation. Course members study whilst working, with access to an online classroom with tutor support and resources to support their learning.

The course materials have been written by experienced educators specifically to match the needs of revenue management professionals in the hospitality industry. The course will enable students to solve problems in the workplace as a part of their assessed course assignments. Support will be available from a tutor via email, telephone or the online classroom for UK and overseas based learners and is accredited by Oxford Brookes University.

Interested?

Learn more from our website www.hospa.org or phone the Membership and Education Services on + 44 (0) 1202 889430



Members' Events



Forthcoming events

- Sep 11** **HOSPA Evening Workshop - London**
Immigration and employment issues: stay out of jail!
Presented by Watson, Farley & Williams LLP
 This workshop will provide practical guidance as to how employers should conduct ID checks and protect themselves against civil and criminal liability in compliance with the Asylum and Nationality Act 2006, highlighting the common risk areas, particularly in relation to business visitors and students. What is the meaning of sponsorship under Tier 2 of the points-based system and how should sponsors prepare for an onsite audit from the UK Border Agency? We will also run through the latest updates in employment legislation so that you are not caught out by recent changes. Venue to be confirmed.
- Sep 21** **Revenue Management Regional Breakfast Workshop - Edinburgh**
 Apex International Hotel, 31-35 Grassmarket, Edinburgh, from 9.00am for a 9.30am start to 12.30pm.
- Oct 16** **HOSPA Evening Workshop - London**
Real Time Information and payroll processing: what does this mean for you?
Presented by the HMRC
 This workshop will provide practical guidance as to how employers should prepare for the changes to be introduced from April 2013. Do you keep records of hours worked, gender and nationality? Does your company offer share options? Will your payroll software be ready to report all the necessary information every month instead of just at the year end? What about tronç? Hear how your employees will benefit from the changes and the positive feedback from the companies involved in the rollout so far.
- Oct** **Revenue Management Regional Breakfast Workshop - Manchester**
(date TBC) From 9.00am for a 9.30am start. Further details and venue to be confirmed.
- Nov** **HOSPA Breakfast Seminar - London**
(date TBC) **Financial reporting and tax - are you up to date with the latest developments?**
Presented by PKF LLP
 "CPD made easy"... everything you need to know in just 90 minutes, served up with coffee and croissants!
- Nov 22** **HOSPACE 2012, Sofitel Hotel, Terminal 5, Heathrow, London**
 For details, including the outline programme and registration, please visit www.hospace.net.
- Dec 4** **HOSPA Evening Members' Meeting - London**
Hotel valuations - is it still all about the price of a bottle of coke?
Presented by Russell Kett, Chairman, HVS International
- Dec 19** **HOSPA Awards Lunch 2012 - London**
 Join us to celebrate the achievements of the HOSPA prizewinners with awards for the highest achieving learners on the HOSPA Education Programmes in the past year.
- Jan 15** **HOSPA Evening Members' Meeting - London**
Owner - Operator disputes continued... management contracts
Presented by Felicity Jones, Watson, Farley & Williams LLP
 Registration is necessary to attend all the above workshops and meetings: please visit the events section on our website or email wayne.gosden@hospa.org with your detail.

HOSPA Sponsors & Patrons

Gold Sponsors include

Avenue9
 Agilysys
 Best Western Hotels
 Fourth Hospitality
 Global Blue
 IDeaS – A SAS Company

BDO
 CHES Partnership
 CHR Hospitality
 CTB Accounts
 EasyRMS
 ETC Hospitality
 FM Recruitment
 Guestline
 HFTP
 Kerry Robert Associates
 Keystep
 m-hance
 MICROS-Fidelio
 PAR Springer-Miller
 PKF
 Portfolio International
 PricewaterhouseCoopers
 Rate Tiger
 Redstone
 Rieo Communications
 Softbrands, an Infor Affiliate
 STR Global
 Symon - Digital Signage
 The NAV People
 The Ritz Hotel, London
 TRI Hospitality Consulting
 Venners
 WNS Global Services
 Xn Hotel Systems Ltd

HOSPA Partners

HFTP (Hospitality Finance and Technology Professionals)
 Hotel Marketing Association
 Hotel Technology Next Generation
 Smart Report

HOSPA Education Partners

Open University
 Oxford Brookes University
 Cornell University
 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.

Atos, Beacon Purchasing, Global Blue, BT Openzone, Daisy, Amex, Fourth Hospitality, Watson, Farley & Williams.

Sponsor of the HOSPA Calendar

Hospitality & Leisure



Servicing your needs

We provide sale, acquisition, valuation, rating, property and building advice.


www.edwardsymmons.com



Date for your Diary...

HOSPSPACE 2012
22nd November 2012

Sofitel London Heathrow, Terminal 5

HOSPSPACE is the Association's annual conference and exhibition featuring an outstanding line up of internationally recognised speakers from the hospitality sector plus a series of education workshops on the latest financial topics, revenue management innovations and IT developments for the sector.

The Hospitality Technology Exhibition features a range of products and services to help you to manage your hotels information flows more effectively.

Who should attend this event?

- Senior Hospitality Directors
- Financial Controllers and Accountants
- Revenue and Distribution Managers
- IT Managers
- General Managers

And all those interested in the latest developments for managing and measuring business performance in the hospitality sector!

