

THE OVERVIEW

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Maximising VAT options for room hire

The dawn of a new age for technology

**Women in hospitality –
can they make it to the top?**

Welcome to THE OVERVIEW

VAT issues have been a recurring theme for our journal over the past few months and this edition is no exception with Sarah Gallie and Nisha Nathwani from Deloitte LLP kindly providing us with an article which sums up the main issues hotels have to consider when establishing the VAT treatment of conference room hires. To learn more about all the current taxation issues impacting on the hospitality sector come and join us for the HOSPA Members' Taxation Update on the 24th May with a question and answer session with some leading tax experts on hand to offer advice. HOSPA Patrons PwC are very kindly hosting this meeting in their new building in More London, on the south bank of the Thames, next to Tower Bridge. The topics will be particularly relevant for anyone working in finance or HR in hotels and restaurants, professional advisers, consultants and restaurant managers. For more details visit the events page at www.hospa.org.

As we approach the final countdown towards the summer events in the UK, it is very appropriate that the team at Watson Farley & Williams has provided us with a timely update on the legal implications for the hotel sector when preparing for the Olympics. Asha Kumar, Senior Employment Solicitor at Watson, Farley and Williams, points out several employment issues employers need to be aware of during the Olympic Games. The Olympic theme continues with the HOSPA Members' Meeting on the 28th May at the Park Lane Hotel, London, devoted to considering the technology infrastructure providing the support to the Games.

We hope you can join us at one of our forthcoming events – for more details visit www.hospa.org.

Debra Adams

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HOSPA

Hospitality Finance, Revenue and IT Professionals

BAHA Moving Forward

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Peter O'Connor

Professor of Information Systems at ESSEC Business School, France

“2012 will be the year when hotels wake up to the power of social media,” says Peter O'Connor, Professor of Information Systems at ESSEC Business School in France. He sees a number of different ways the industry will finally embrace these not-really-so-new-any-more communication tools.

The dawn of a new age

Over the past two decades, the Internet has transformed how hotel rooms are bought and sold. Before the web, customers typically contacted the hotel directly for information or relied on travel agents, tour operators or other intermediaries to suggest properties that might be appropriate. However, challenges occurred because of both knowledge and impartiality. Even the best intermediary could not be aware of all options and thus their recommendations were naturally limited by their knowledge of a destination. Impartiality was a bigger challenge. Intermediaries tended to be commercially motivated, leading many to question whether their recommendations were a genuine match with client needs or were given as a result of payments made for business delivered.

The growth of the web in the late 1990s added greatly to the quantity of information available to consumers. Instead of going through a professional, customers could search for information on travel options for themselves. However, despite this newfound access to vast amounts of information, the challenge of credibility remained. On the web, most travel information originated from one of two sources – either directly with suppliers or as editorial on a travel website. In either case, the base information also usually originated with the supplier, thus making it biased towards the supplier in question. To read many websites, every travel experience is unadulterated hedonism – a sharp contrast to the reality of today's overcrowded, under-delivering travel environment.

Social media, however, potentially help address this credibility issue. Since travelers enjoy talking about their experiences, discussing future plans and seeking the recommendations of others, social media sites such as blogs, social networks and review sites have become important information resources. Such sites provide consumers with easy access to a pool of high-quality, topical and most importantly, unbiased information, generated not by commercial interests but by other consumers, thus helping to reduce, if not totally eliminate, the aforementioned credibility issue. As a result, social media have had an almost immediate and dramatic effect on how travel is researched, planned and bought. Most commentators agree that social media now act as a key element in the traveller's research process.



Already we are seeing evidence of the power of video to attract site visitors (and when done well, customers). InterContinental Hotel Group has had incredible success with its Concierge Insider Guides, while there are few travellers left who have not seen the incredible presentation of the MGM Grand in Maximum Las Vegas. Today, these are the exceptions. Tomorrow, they will be the norm.

The reaction of the hotel industry: denial

Despite undeniable evidence, the reaction of the hotel sector to the tidal wave of social media has been typical – to deny that it is happening and to bury its head in the sand. Never an early adopter of technology, in the late 1990s, the hotel sector tried to ignore the growth of web distribution and ended up losing control over their pricing and inventory to Online Travel Agents. Now another online revolution is in progress, and hotels urgently need to figure out how to manage and exploit it before they are left behind again.

Unfortunately, instead of trying to figure out how to successfully leverage social media, most hotels have to date spent their time nit-picking about accuracy or complaining about how they don't have the budget to deal with anything new. Instead of filing law suits against TripAdvisor, hotels need to wake up and smell the coffee. Social media, in all their wild and wonderful forms, are here, and here to stay.

Hotels, although stubborn, are not stupid. That's why, in my humble opinion, 2012 will be the year when they finally stop their tantrums and start to embrace social media as a customer service, marketing, promotional and relationship building tool. Progress will be slow, but every journey begins with a single step.

Predictions and trends

Based on recent events and feedback from various hotel companies, it's clear that there is change afoot! Below are some of the developments that I see happening in the short term in relation to the hotel social media space:

Terrific TripAdvisor: Having moaned about the possibility of fake reviews since the site's launch, 2012 will be the year when hotels finally admit and accept what TripAdvisor does – acts as a fantastic (and free) source of customer feedback, and, when hotels do their job right, as an incredible promotional tool. Several of the large hotel chains (including Accor, Worldhotels and Premier Inn) have already come to this realisation, adding TripAdvisor widgets to their brand.com websites so that customers (and the corporate office) can see the quality of each property, practically in real time. 2012 will be the year when this approach goes mainstream and hotels start putting their own house in order, focusing on improving customer service and the overall guest experience, rather than wasting time and money ranting about the unfairness of it all.

Vivacious video: Faced with a client base that has grown up with streaming video and computer games, text and images are clearly no longer enough. 2012 will be the year when hotel companies wake up to the power of multi-media as a selling mechanism. Videos, both professional and user-generated, will start to become integrated into the promotional strategies of innovative hotel chains and will become commonplace within three to five years.

Superior social networks: For years, hotels have been trying to build up a relationship with their customers, spending millions on running rewards (sorry – I mean loyalty!) programmes in a vain attempt to win the right to speak with their clients and try to influence future stays. Practically everyone (hotels, clients, dogs on the street) agree that most of these programmes simply do not work and are a waste of time, money and plastic! 2012 will be the year when the mainstream chains follow innovators such as Citizen M and realise that they can build a closer relationship with their customers through the social networks they use every day rather than by giving them points for stays they will never make. Expect a big emphasis on building presence and generating activity on social networks such as Facebook by hotel companies, even if most cannot figure out the return on investment of their actions.

Lovely location-based services: Even as hotels struggle to get their heads around the potential of social media as a whole, technology and society are moving on. Customers are mobile and, increasingly, they expect their social media to be mobile as well – hence the incredible consumer popularity of services such as FourSquare, Gowalla and Facebook Places. During 2012, leading-edge hotel companies will start to take baby steps in these arenas, gaining considerable first-mover advantage over their competitors.

Modified mindsets: I've spoken before about the need for a new skill set to successfully manage hotel sales and marketing. The challenge however is that the necessary competencies are evolving rapidly, in response to both incredible technological advances and rapid consumer adoption. 2012 will be the year when hotel companies begin to change how they hire – instead of looking for concrete skills and x years of experience, the more forward thinking will start hiring based on attitude and mindset. Skills can be easily taught and unfortunately date quickly, but employees that think differently can overcome such challenges easily. As Darwin said, it's not the strongest or the most intelligent of the species that survives; it's the one most adaptable to change.

Having hesitated for so long, 2012 will finally be the year that hotels embrace the power of social media as a primary (rather than alternative) customer communications and relationship channel. It will be the year when they devote the time and resources to using social media properly, rather than simply setting up a Facebook page that no one ever reads. It will be the year when hotel companies hire creative young people to act as their social media champions and empower them to do whatever it takes to build, animate and sustain meaningful and authentic presences on the social media channel used by their customers. 2012 will be all of this, and more.

Because if it's not, we're doomed!

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

Women in the hospitality, leisure, travel and tourism sector: can they make it to the top?

Recent figures show that within the FTSE 100 companies, only 15.6% of all directorships are women.

In other words, out of 1086 board positions, 141 women hold 163 board seats, including 20 executive directorships and 143 non-executive directors. Further, 11 of the UK's largest-listed companies still do not have any woman on their boards and the female presence on management boards has dropped by 2.2% last year (BIS 2012, Treanor 2012). Moreover, the number of male managers, directors, and senior official is more than double the number of female managers, directors and senior officials, with the latter almost earning 44% less than their male counterparts (ONS 2011). Given these facts, it can be argued that women are significantly underrepresented, underpaid and often rather powerless in British companies.

Unequal representation of and pay for women in managerial and senior roles is also very evident in the UK's hospitality, leisure, travel and tourism (HLTT) sector. Firstly, despite the fact that women make up almost 60% of the sector's workforce, they are in the minority in senior management roles. 61% of elementary occupations, 80% of administration and secretary jobs and 92% of housekeeper positions are held by women, whereas merely 44% of manager and senior officials are female (People1st 2011). Secondly, according to the Office for National Statistics (2011), there are 7,000 female compared to 13,000 male hotel and accommodation managers, the pay gap being over 25%. Thirdly, it is estimated that only eight out of the around 100 five-star hotels in the capital employ a female General Manager (GM) (Milefasters.co.uk 2012, HVS Executive Search 2011). Lastly, at board level, the imbalance rises further. A recent study by HVS reveals that approximately only 10% of European Hotel Board members are female (Ruddick 2012).

To tackle the underrepresentation of women in senior positions across all industries, the Government currently rejects to introduce mandatory quotas,

but instead, tries to convince businesses to voluntarily appoint more women to their boards. In June 2011, Lord Davies published the independent report 'women on boards' in which recommendations to address the gender inequality are given. Specifically, it is suggested that FTSE 100 boards should consist of 25% of female directors by 2015. In his first annual progress report, released in March 2012, Lord Davies states that the rise of female board members from 12.5% in 2011 to 15.6% in 2012 is very promising and that, if this current trend continues, a record 26.7% female board representation could be achieved by 2015 (BIS 2012, BIS 2011).

With regard to the HLTT sector, People 1st, the sector skills council, has launched the Women1st programme in 2009 to overcome the gender inequality. Its aims are to support and inspire female talent, to encourage employers to consider the benefits of developing and retaining women employees and to ensure that at least one female candidate is on the shortlist for every board/executive position by 2015 (People1st 2011). As part of the campaign, the 5 most prominent barriers which hinder women to advance in their careers have been identified: Difficulty of combining work at senior level with caring responsibilities, dominant masculine organisational culture, preconceptions and gender bias, lack of knowledge and exclusion from informal networks of communication and lack of women in senior positions (People1st 2010). Many successful female executives in the industry have reinforced these findings. For instance, Vivien Sirotkin, Operations Director at QHotels, claims that a macho culture still prevails in many hospitality organisations and Alison Firth, Managing Director of Artizian Catering, states that the lack of both flexible working arrangements and networking opportunities are the primary reasons women struggle to move into management roles (Nicholls 2012, HVS Executive Search 2011).

To achieve its goals, Women1st offers a series of one-day professional development workshops, one-to-one mentoring sessions and a female chefs' development programme. So far, over 400 women have been taking part and

many companies, such as Marriott Hotels, Malmaison & Hotel du Vin, Abode Hotels, Principle Hayley and The Cloud Hotel, endorse the training (People1st n.d., Nicholls 2011). In addition, to make the HLTT sector more aware of the gender imbalance issue, Women1st hosts the annual Shine Awards to celebrate the success of women in the sector. Besides that, it has launched the Top 100 Club in 2011, which has been designed to highlight the achievements and influence of women in the sector as well as to produce role models for aspiring females. Finally, Women1st will host its first conference in June 2012, consisting of encouraging speakers, useful workshops and numerous networking opportunities (People1st n.d.).

Moreover, it is not only the sector's skills council that strives to improve females' prospects in the hotel industry, successful female hoteliers intend to make a difference, too.

In 2011, Debrah Dhugga, GM of Dukes London, Anna-Marie Dowling, GM of The Royal Horseguards and Theresa Maw, GM of Renaissance Chancery Court Hotel, have founded the Leading Ladies of London to attract more female leaders into the hotel industry. The collaboration strives to create a strong voice for female hoteliers through networking with other like-minded executive female groups, exchanging ideas and practice of excellence and mentoring the future female leaders. The group is open for leading female figures of the industry and women heading five star hotels in London (Paskin 2011, hotel-industry.co.uk 2011).

To sum up, current figures clearly prove that the proportion of women who hold management or board level positions in the HLTT sector is too low. Although several projects, such as Women1st or the Leading Ladies of London, aim to foster female leadership in the sector, it is the companies that need to realise the benefits skilled females bring to the business and redress the balance between men and women managers and senior officials.

**Researched and written by
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PREPARING FOR THE OLYMPICS - SOME IMPORTANT LEGAL IMPLICATIONS FOR THE HOTEL SECTOR



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Asha Kumar, Senior Employment Solicitor at Watson, Farley and Williams, points out several employment issues employers need to be aware of during the Olympic Games.

The Olympic and Paralympic Games (the “Games”) are almost upon us; they commence on 27 July 2012 and will run for a total of six weeks. They present a huge opportunity for the UK’s leisure and hospitality industry. However, while excitement is mounting, the Games also bring a number of challenges as businesses prepare for the arrival of some 320,000 visitors and over 15,000 athletes. There will also be travel disruptions, with road closures and restrictions on supplier delivery times within the capital.

As a result, there are several practical employment issues that employers will need to consider which are highlighted below.

Managing absence

Employers will need to ensure they have adequate staffing levels throughout the summer of 2012 and this may be a challenge for some. This is because a large number of employees may have tickets or want to take time off work to watch the Games on television. Inevitably, not all employees will be able to take time off work to watch events and some employees will lose out. Employers should be alert to whether or not they will experience any staffing problems during the Games and, in order to do this, it is advisable to carry out an internal audit asking staff whether they have tickets and/or would like time off to watch the Games.

Furthermore, it is advisable to introduce a policy to ensure that employees in key areas do not all take time off at once. Employers should communicate the basis on which leave will be granted for the Games, ensuring that requests are balanced with the needs of the business, while responding fairly and consistently to any requests.

Flexible working

As an alternative to allowing time off, employers may also want to consider requests from employees for flexible working on a short-term basis. In fact, the hotel and leisure industry may be an ideal setting for flexible working given the antisocial and irregular hours some employees are required to work. Benefits, such as offering employees the opportunity to accrue flexi days in addition to holiday days or giving employees the option to buy or sell holiday days, could be very attractive to an employee, and are a relatively low-cost option for employers.

Performance issues

Problems may arise from staff watching lengthy coverage via their computers and/or mobile telephones. One way to manage this could be for employers to plan for sporting events that are likely to be popular in advance. This could be addressed by granting staff access to a television during pre-agreed times, with the employer making it clear that this is a privilege that must not be abused.

Sham Sickness Absence

During the Games, there will undoubtedly be a number of employees who at the last minute decide to take time off work to enjoy the Games by feigning sickness. It will be important for employers to remind employees of their sickness absence policy and highlight the obligations contained within it. Early communication with employees about the Games will also help to reduce this problem as it will encourage employees to consider and deal with their need for holiday early on.

Employees should also be informed and/or reminded that any suspected cases of spurious sickness absence will be investigated and, as would normally be the case, any false reports will be subject to disciplinary proceedings. However, such communication should be considered carefully, particularly to avoid any negative connotations being drawn by employees. Further, it is of course important to distinguish between employees who are absent without good reason and genuine absence due to illness.

Lateness

The Games will undoubtedly bring great disruption to the travel network in London and many employees will have to adjust their journey to work as several Central London roads will be closed during the Games. Some employees may arrive late for work or in some cases may not be able to get to work. It is crucial that in order to meet business demands, employers are aware of this and put strategies in place to manage lateness and minimise its impact on operations.

Employers may want to consider allowing key staff, such as hotel managers, to make use of a hotel room to sleep. However, it is important to consider whether night work counts as "working time" for the purposes of the national minimum wage. Whether time spent on the employer's premises overnight counts as "work" will depend on the particular circumstances and the following factors are relevant: the obligations imposed on the employee; what (if any) night time duties are expected of them; and what is written in their contract of employment. In general, time is classified as "work" where an employee is actually working, for example if the hotel manager is required to act as a night watchman or where an employee is on call.

It is worth noting that where an employee is required to be at or near their work place overnight and is provided with suitable facilities for sleeping, different rules will apply. In this situation, time spent at the workplace will usually only count as "work" when the employee is awake and actually working.

Note that different rules apply regarding the time that qualifies as "work" for the purposes of the Working Time Regulations 1998.

In addition, given the restrictions on supplier delivery times in London, employers should also consider whether any changes to employees' working hours are required to ensure that employees

are available to accept deliveries of goods. Employers will need to review the employees' terms of employment to find out whether changes to working conditions are contractually permitted; and, if not, employers would need to consult with the employees regarding such changes.

Discrimination

Individuals from many nationalities, ethnicities and faiths will be attending the Games. Many hotels will be familiar with routinely catering for various cultural needs; however, earlier this year, a homosexual couple were found to have been directly discriminated against on the grounds of sexual orientation when they were refused a double-bedded room in a hotel on the basis that they were not married. The requirement to be married was imposed by the hotel owner due to his own religious beliefs, but this was found to be inherently discriminatory as homosexuals cannot currently marry in the UK.

Sexual orientation can still be an awkward area for people of certain religions and cultures and it is important to understand that the law offers the same protection to employees irrespective of their sexual orientation, or any other 'protected characteristics', be it their ethnicity, gender, religion or a disability. Hotels and pubs cannot legally exclude same-sex partners or ask gay or transsexual staff not to work their usual shifts in case their presence offends specific guests.

Another important area to be mindful of is harassment. The Games present an ideal opportunity for employees to develop good relationships with their employers and each other and are likely to foster a friendly ambience and sense of camaraderie. However, in all the excitement it is possible for individuals to overstep their boundaries and comments about the Games, the competitors and tactics could risk being interpreted as racial slurs, nationalistic harassment or discrimination if due care is not taken.

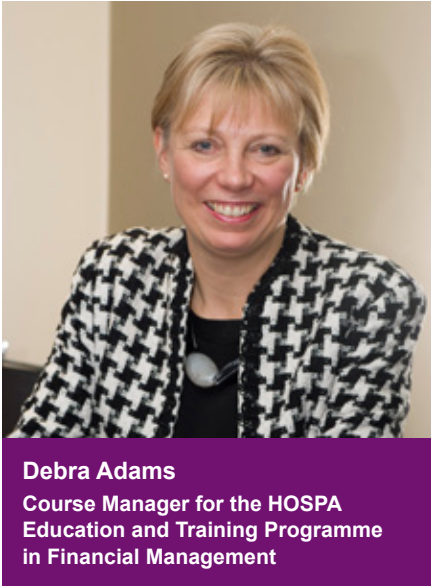
Employers should focus on treating all employees in the same way regardless of race, sex or nationality. Therefore, you should remember that not all employees will be supporting Team GB and if you allow Team GB supporters time off to watch team events, the same policy should also be applied to non-UK nationals who wish to watch their own national team. Likewise, employers should not assume that only men will be interested in the games and should remember that those who are not interested in them should still be treated fairly and not excluded from the festivities.

An important point to note is that employers are vicariously liable for the actions of their employees unless they take reasonable steps to prevent such unlawful acts occurring. Hence, well in advance of the Games it is wise to remind employees of existing equal opportunities policies and any anti-harassment/bullying policies to ensure employees are familiar with their obligations and understand beforehand that any offensive behaviour will not be overlooked and will be dealt with through a disciplinary process.

Conclusion

Open and clear communication will be crucial to successfully managing your workforce during the Olympic Games. The earlier such communication takes place the better, as employers will discover their employees' intentions early and be able to reconcile their own business needs with these during the Games.

The HOSPA Education team can help you develop your emerging talent!



Debra Adams, Course Manager for the HOSPA Education and Training Programme in Financial Management, reflects on the value of building meaningful in house company education programmes to retain talent and develop the finance, revenue management and IT professionals of the future.

Increasingly, businesses are recognising the importance of developing in house programmes to nurture talent and build expertise for the future growth of the organisation. Notable examples are the corporate university style programmes developed by leading industry players such as IHG, Accor, Starwood and, of course, Hilton Worldwide. Programmes for employees at both post graduate and undergraduate levels need to be developed with credible content, rigorous assessment and recognised accreditations...which often means working in partnership with an education partner.

The HOSPA Education and Training Programmes 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 finance, revenue management or IT. The suite of programmes, pitched at undergraduate level, has been specifically developed for the hospitality industry and acknowledges the increasing

significance of encouraging employees to not only obtain appropriate qualifications but also to continue in full time work. Our programmes have been designed to reflect both contemporary terminology and professional examples from the hospitality industry and use a mix of work-based and academic assessments. In other words, learners can apply what they learn directly to their workplace.

HOSPA offers three specific Education Programmes in:

- Financial Management
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- IT Management

We can also deliver a range of one day courses in the above subjects and management related topics including 'Finance for Non Financial Managers'

Visit

<http://www.hospa.org/en/education/education-and-training-programmes/> for details or call 01202 889430.

The programmes are flexible and are studied in three separate stages, each taking approximately six months to complete depending on the course. Learners can study one, two or all three stages consecutively, or even defer a stage of their study if work or personal commitments impede progress 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 **Financial Management programme** is often viewed as a first-step in gaining an accounting qualification from the professional accounting bodies, which is why CIMA has accredited our programme and successful students are able to gain exemptions from two financial papers in the CIMA Certificate in Business Accounting. The completion of each Stage also gives the successful students undergraduate credit rating from the Open University which can be used for a further higher education study.

Our newly developed **Revenue Management programme**, funded by the Savoy Educational Trust, has been written in association with, and is accredited by Oxford Brookes University, a leading university in the field of hospitality studies in the UK.

The **Information Technology Management programme** is delivered by our education partners who are well-recognised in the field of IT management and its application to the hospitality industry.

Continuing Membership and Professional Development

Throughout their study, our learners receive complementary student membership of HOSPA and completion of each of the programmes leads to Associate (Cert) membership of HOSPA. As members, learners are offered a wide range of opportunities to attend meetings on specific topics as well as extensive professional resources (including our interactive website) and the latest industry news through our monthly magazine **The Overview**, all of which helps them to remain at the cutting edge of the industry.

These programmes are ideal for learners who wish to start an undergraduate course (Level 4/5) or who wish to add a vocational qualification to their CV.

The Education team at HOSPA can help your organisation to embed a programme of professional development in your business to develop your finance, revenue management and IT professionals of the future.

What our Members say...

"I totally support the ETP in Financial Management. It is the only financial training programme that is specifically designed for our industry and my employees appreciate that it is 100% relevant to them. Acceptance on the programme is highly motivational and employees who have undertaken the course are always identified as high potential colleagues. In addition, the benefit to Starwood Hotels & Resorts is clear to see as we have better trained employees who can understand the whole picture, rather than just their own job function."

**Patrick Divall, Area Director of Finance
England, Starwood Hotels & Resorts.**

"Working towards achieving a thorough understanding of the financial and control aspects of our business is of critical importance in today's economic climate. I believe the industry will face many more challenges over the coming years and by investing our combined resources now in key staff the anticipation is that we will develop the "next generation" who will have the ability to direct and shape successful business units. Our ethos is that it is as much about developing the individual as the processes that surround them in their day to day working environment. Our success here is a combined effort and has only been possible with the dedication and enthusiasm of the control teams. You will note that I say a combined effort - I view BAHA [now HOSPA] as a hugely important contributor to all that we do in this area and without them none of what we have achieved would have been possible."

**Alan Higgins, Financial Director, Portland
Hotels. Recipient of HOSPA's (BAHA's) 2010
SME Employer of the Year 2010 award in
recognition of outstanding commitment in
promoting and developing financial education
in the hospitality industry.**

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For more details or an informal discussion on how we can help your organisation to build a development programme for your learners please contact Debra Adams at HOSPA via debra.adams@hospa.org or call 01202 889430. For the latest details visit www.hospa.org.



In this article, Sarah Gallie and Nisha Nathwani from Deloitte LLP sum up the main issues hotels have to consider when establishing the VAT treatment of conference room hires.

Hotels often provide rooms for meetings, conferences and other functions such as weddings and dinner dances. In most cases, these events will be organised by third parties, but in some cases, the event will be organised by the hotels directly. The VAT treatment of the room hire element can vary depending on issues such as whether an option to tax has been made, what the event is and who organises it. We have set out below the main issues to keep in mind when determining the VAT treatment of the conference room hire.

The facilities provided by the hotel can vary from the use of conference rooms with tea and coffee to the inclusion of meals and in some cases, overnight accommodation. The supply of a conference room on its own will be exempt from VAT, unless an option to tax has been made by operator of the hotel (i.e. the taxable person that is supplying the room hire) -see below. In instances where a meal is provided in addition to the conference room (referred to as the 8 hour delegate rate) or meals and accommodation (24 hour delegate rate) then each element is treated as a separate supply for VAT purposes. The conference room will continue to be exempt from VAT (unless an option to tax has been made by the hotel operator) and the remaining supplies of food and accommodation will be subject to VAT at the standard rate. This principle applies even where an inclusive charge is made and a fair and reasonable apportionment should be made to split the charge.

Where the hotel is only providing minimal refreshments such as tea and biscuits with the conference room, this is treated as a single supply of room hire (i.e. a split does not need to be made between room hire and catering).

The Option to Tax

As stated above, supplies of land and buildings are exempt from VAT unless an option to tax has been made. Once an option to tax is in place, the supplies become subject to VAT at the standard rate (subject to some exceptions). Any VAT

incurred in making those supplies would then be recoverable. There may be a number of taxable persons with an interest in the property (for example a propco and opco) – in such a case, it is important to consider whether the taxable person actually making the supply of the room hire has opted to tax. For instance, in the unlikely event that the propco has opted but the opco has not opted to tax, then the opco would not be obliged to charge VAT on, otherwise exempt, supplies of room hire.

Where exempt supplies of room hire are made, the impact of partial exemption should be considered as there may be a restriction to VAT recovery on costs. There are de minimis limits in relation to partial exemption, which may mean that no restriction is required if the proportion of exempt supplies is small, however this should be monitored on an ongoing basis.

Some exceptions

There are some exceptions to the basic rules discussed above, these apply in specific circumstances and should be considered in relation to the bookings taken by hotels. If the conference is being organised by the hotel rather than a third party and entry fees are charged to delegates, then these supplies will always be subject to VAT at the standard rate and the room hire element cannot be treated as a separate supply. When the primary purpose of the event is a supply of catering such as a dinner dance, or a wedding reception, this is treated as a single supply which is subject to VAT. This can sometimes also be the case even where the catering element is supplied to the customer by a third party, depending on the level of services supplied by the hotel.

In certain narrow circumstances, the option to tax on the supply of conference room hire to a charity can be ‘disapplied’ where the room is to be used solely for a ‘relevant charitable purpose’ (‘RCP’) i.e. a non -business purpose. However, use as an office is specifically excluded and remains subject to VAT unless office use is merely incidental. Therefore, the fact that a room is being hired by a charity will not necessarily mean that the supply is exempt, as charities can have both business and non business activities. Exemption can only apply to the room hire element where this can be treated as a separate supply and will not apply to hotel accommodation or catering. Evidence of the intended use may need to be kept on file.

In summary, treatment of conference room hire charges made by hotels can be an interesting area for VAT, with various issues to take into consideration. It is possible for room hire to be treated as exempt from VAT, but in most instances, this would only be the case if the hotel has not opted to tax the building.



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Inventory & price control in a fine dining restaurant



In this paper, Sarah Kamensky illustrates how restaurants can apply inventory and price control effectively. The full version of this research paper, including a list of references can be found on the HOSPA website.

A restaurant is “a place where people pay to sit and eat meals that are cooked and served on the premises” (Oxford Dictionaries, 2012). They have a similar business model to hotels and airlines, which already apply revenue management, but their inventory is far more complex. As restaurant revenue management (RRM) has only recently been of interest, many questions remain unanswered, for example, questions regarding forecasting, reservations and the optimal table mix (Thompson, 2010). This article will focus on a fine dining restaurant in a five-star luxury hotel. It serves breakfast, lunch and dinner. The capacity is fixed due to spacious round tables and large comfortable chairs and the restaurant wishes to preserve a private atmosphere. The restaurant does not expect to have more than one table turn except during breakfast service. The service charge is included in the price and is thus not mentioned separately on the bill.

RRM is “to sell the right seat to the right customer at the right price for the right duration” (Kimes et al., 1998:33). In fine dining restaurants, even if a single guest is having lunch or dinner, he/

she will get a table and, generally, will not be asked to share. Furthermore, restaurants do not explicitly sell seats or tables, but rather a meal experience related to the menu where a service charge is often a percentage of the bill. Hotels and airlines have a determined duration that restaurants do not have and use therefore the term “at the right time” (Smith, Leimkuhler and Darrow, 1992), which is related to the moment when the customer buys the unit. In the case of the fine dining restaurant which does not expect to have a table turn over, the duration has no importance. Nonetheless, the time of the day and the week when the “right customer” comes into the restaurant should be considered. The definition of YM can therefore be changed in “to sell the right table to the right customers at a right time with the right menu.”

To be able to administer the price and the inventory, which are the core of YM, demand forecasting has to be implemented.

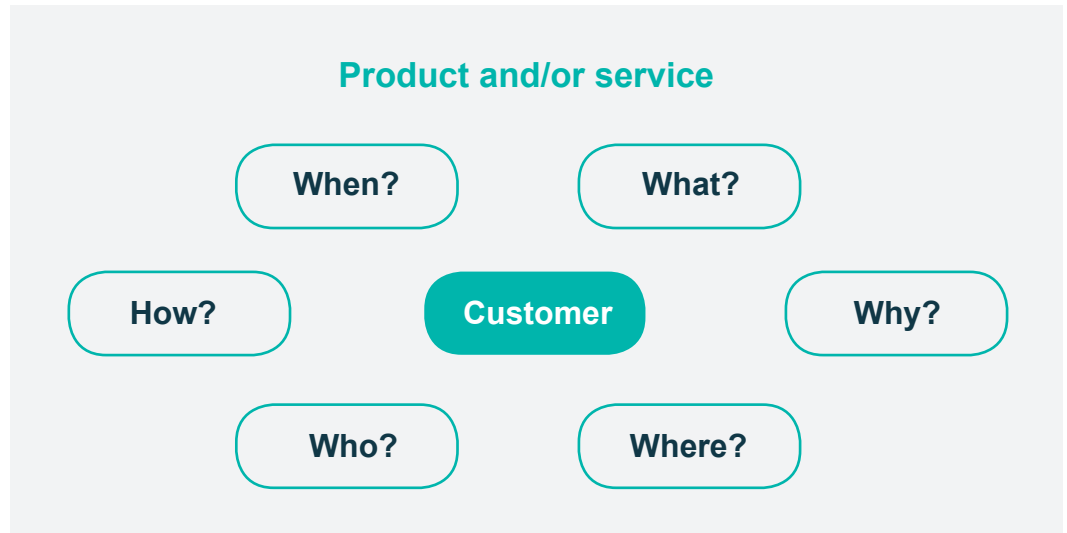


Restaurants have segmented markets (Kimes et al., 1998). To understand customer patterns, the information shown in Figure 1 as well as data from the customer behavioural segmentation through the “5 W’s and H’s analysis” (Figure 2) have to be collected.

Figure 1: Adapted from: Ansel and Dyer; 1999, Hayes and Miller, 2011; Kimes 2004; Kimes and Thompson, 2005.

Demographic characteristics	Dining patterns	Average amount spent/ Tipping patterns	Transaction data
Customer contact data/ Memberships	Average party size	If they meet the performance targets	Number of cancelled reservation
Number of reservations	Number of denied reservations	Customer satisfaction	Time of arrival

Figure 2: Adapted from: Tranter, Stuart-Hill and Parker, 2009.



Technology systems would be able to analyse the data (Ansel and Dyer, 1999) and segments and sub segments that are attracted by the restaurant would be identified.

From an economic point of view, restaurants are a high-risk business due to the fact that the demand is highly randomised (Kimes, 2009). Nonetheless, to capture unconstrained demand, which is more accurate than constrained demand, data shown in Figure 3 have to be collected.

Figure 3: Adapted from Hayes and Miller, 2011; Kimes 2004, Kimes and Thompson, 2005.

Number of reservations booked per day	Number of daily reservations cancellations	Number of reservations denied per day	Occupancy achieved (%) - By the restaurant - By table types
Number of WI	Number of denied WI	Customer arrivals by hour	Average check achieved
Average number of guests per table	Total number of units cancelled	Number of reservations for day X	Number of cancelled reservation for day X

The fine-dining restaurant is located in a hotel. Therefore, data on hotel guests eating in the restaurant have also to be collected. It is suggested that restaurants use the combined forecasting method to enhance the preciseness of non-judgmental forecasts. However, external and internal data that are not related to historical performance and current reservations are highly critical. These give the restaurant the opportunity to adjust the forecast and to get a clearer idea of what demand they can expect.

The restaurant would thus not only have the possibility to get a clear idea of the number of reservations, but also on WI guests, cancellations and no-shows. Restaurants could also forecast the demand by segment, which would increase the correctness.



Due to reservations, inventory control in restaurants is possible and gives the opportunity to choose the most profitable mix of customers (Kimes, 2009). Before starting inventory control, restaurants should know the number of tables, the party size they are normally serving on those tables and the flexibility (Kimes and Thompson, 2004). Moreover, the maximum number of guests that could be served and the location of the tables has to be known.

The forecast allows the restaurant to estimate an approximate number of reservations, no-shows and cancellations by customer segments. They can thus decide how many tables they are assigning to these segments. However, inventory control has not only to consider reservations, but also WI guests. For WI guests, restaurants can have five different table allocation approaches (Bertsimas and Shioda, 2003): first come-first served, fully nested, one-up nesting, parallel nesting or no nesting.

Restaurants may control their inventory by assigning their seats for social events, group events, individual diners, couples, families, senior citizens and frequent diner club members (Tranter, Stuart-Hill and Parker, 2009). Furthermore, they could assign the tables related to behavioural segmentation, which would be even more accurate.

Even though distribution channels such as "opentable.com" or "toptable.com" are not commonly used for reservations yet, they become more important. Due to the fast development of the web and the changes of customer behaviours, it is critical that restaurants take those opportunities to attract more customers as well as the right ones. IT-systems allow the restaurant to allocate a reservation directly to a table and thus to practice inventory control precisely. Here, the data on customer preferences can be used to enhance customer satisfaction.

The uncertainty of arrival is an issue and is more complex in restaurants than in hotels (Kimes et al., 1998). Restaurants can counterbalance this issue with the internal (call the guest on the same day of their reservation; overbooking) or the external (deposit) approach (Kimes et al., 1998).

Overbooking is not commonly used in restaurants due to walk-ins (Kimes et

al., 1998) on which restaurants, because of forecasting, can rely to a certain degree. If OB is applied, decisions on displacement can be made through different approaches based on the time of arrival, the frequency of use and the perceived importance of the guest (Kimes et al., 1998). Due to the costs related to OB, restaurants should rather have a precise forecast and take as many reservations as possible without OB. If the restaurant asks for a credit card guarantee, the uncertainty of arrival and no-shows will decrease. Furthermore, the practice to call the guests on the day of their reservation can be very helpful if the reservation has been made a few days ago.

Restaurants often use the cost-plus-margin approach to price their menu offerings and hardly consider willingness to pay (Choi, 2011). To minimise possible revenue dilution (or lost revenue opportunity), behavioural segmentation can be utilised effectively to apply a demand based pricing approach (Choi, 2011). Fine dining restaurants could utilise skim pricing for special occasions and penetration pricing for very low demand periods. Competitive pricing can be practiced depending on the period and when positioning is critical (Reid and Bojanic, 2006). Restaurants could not only vary the price of their dishes, but also of their beverages (Choi, 2011).

Price control is practiced mainly through dynamic pricing (Susskind, Reinholds and Tsuchiya, 2004). It can be applied by taking into account the tangible (location, décor, size of the table, party size) and intangible (memberships, behavioural patterns, customer characteristics, VIP status) elements that make up the meal experience (Susskind et al., 2004; Kimes et al., 1998; Hwang and Yoon, 2009).

Customers in fine dining restaurants perceive daily changing menus positively (Bernstein, Ottenfeld and Witte, 2008). Hence, this could be a tool to justify daily price changes and to reduce opportunities for price comparison. Dynamic menus also offer opportunities to manage food costs. Moreover, restaurants could have the same menus with different prices for the same day to acknowledge the tangible and intangible factors or simply change the service charge (if applicable). It is crucial that the menu description is detailed. In the customer's mind, this can justify a higher price as they have

a better perception of the value of the meal (Shoemaker, Dawson and Johnson, 2005).

The aim of this paper was to identify how restaurants could apply inventory and price control effectively. The first step is the collection of internal and external data. Thus, the demand of the different customer segments can be evaluated and an accurate, adjusted forecast can be established. The next step is to implement this forecast in the two main areas. Even though restaurants have not the same operational organisation than hotels, they are highly similar; hence, inventory and price control can be applied.

The application of inventory control in restaurants may seem complex as capacity is less fixed; restaurants can welcome more guests on a table (unit). Gathering customer behavioural data is crucial to understand demand and opportunity. Price control may also seem complex to apply in practice as restaurants do not sell the tables at a given price, but have menus and the customer chooses the items. The idea of changing the menu every day, which from the customer point of view is perceived as superior, could help to justify different prices on different days of the week. However, the different customer segments have to be implemented as well. One might argue that the application of differential pricing may not be perceived as fair, however, recent studies have shown that consumers embrace this practice, as they see the advantages it entails, such as availability of the favourite table/view, the chance to eat out more often, better service, or a more consistent meal experience.

If you have some experiences to share, do contact kvarini@brookes.ac.uk who is in contact with students interested to compile a study of the real applications of inventory and price control in restaurants of different sizes, in different locations etc.



Sarah Kamensky
MSc Student in International Hotel and Tourism Management at Oxford Brookes University



**The advent of Social Media
and Mobility in Hotels →**

- ▶ **32%+** of the global supply is operated by the top 10 global chains.
- ▶ **100%** of the top 100 hotel chains have or are formulating a cloud, mobility and social media strategy.
- ▶ **50 million** reviews are recorded by TripAdvisor and affiliates each month.
- ▶ **4 out of 5** travellers check review sites before booking a hotel.
- ▶ **Over 75%** of Smartphone travellers use apps for travel functionality and **62%** of these travellers make bookings.

Hotel Brand acquisitions and globalisation is changing the market. Successful hotel chains are growing their brands beyond original borders and reaching into areas previously thought 'safe'. Hotels that have not had to face the competition of a hotel chain in their local area now will and, in fact, some will see many of their local independents converting to a branded hotel. All this is making the ability for an independent to compete more and more difficult.

Hospitality has always been a word of mouth industry, from the family friend "where should I stay" to the more disconnected, yet trusted travel agent recommendation. In fact, every hotel has always had some type of campaign, sales effort or discount programme to encourage booking companies to see the best their hotel has to offer. But now Social Media has enabled travellers to take this to a whole new level and they now trust the advice of "friends" they have never met before. Today, if a hotel is not, at the very least, monitoring the feedback generated via social media tools, their business can be taken away without them even knowing. In order to truly compete, hotels must be fully interactive in sites like TripAdvisor, Twitter and Facebook. The ring round has been replaced by instant access to competitor rates and campaigns with no excuses not to be one step ahead of the rest.

Increasing occupancy and revenue is dependent on what you are offering; it needs to be – the RIGHT room at the RIGHT rate at the RIGHT time in the RIGHT channel AND the perfect storm... to have your RIGHT offers accepted by the RIGHT GUEST.

Mobility applications are also winning the guest. With over 11 million smartphone users in the UK, apps available for most of the top hotel groups and online booking companies like bookings.com or Expedia, it has never been so easy to book a hotel. A hotel needs to be visible or their competitors that are, will get the booking.

Mobility within the hotel is also becoming a must for increased customer service, with staff able to access the hotel management system via mobile devices from anywhere in the property. Gone are the days of having to be at a desk to know what is happening in your business, which allows for quicker reactions whether it is a drop in room occupancy or a blocked toilet!

Technology is evolving and hoteliers must evolve along with it to attract and retain guests that are more informed, more mobile and interact with social media more than ever. In response to this, Infor SoftBrands Hospitality have developed their brand new Infor10 SoftBrands HMS which, along with other innovative features, has included Social Media and Mobility applications as standard, because they see this as the future in hotel property management software.

Yesterday, if a hotel did not have a travel agent and CRS strategy, they struggled to get business... today it is social media and mobility.

Calum McIndoe, Director of Sales, UK & Ireland at Infor Softbrands Hospitality Solutions says.....

"Over the years people have continuously asked me 'What are the most important or highest factors that are having an impact on hospitality?' Of course, there are many at this time, including the Olympics, but that's just 2012. Over the past couple of year, and looking forwards, two of the biggest impacts have come from social media and mobile devices, you only have to look about you or read the press."

"On a recent flight back from the USA on walking through the plane, there must have been an iPad or mobile device being used by one in four people. Everyone has them these days – it's just a matter of how they can be used in a business environment to add benefit to the guest and employee alike. There are many apps available and several of them are hospitality specific. This means that the one iPad or device may in fact be used for a variety of functions in the hotel during the day. This can be used as a "queue buster" to check guests out remotely in the lobby or emailing their folio to them whilst they are having breakfast, housekeeping can use it to change room status or charge minibar items, the restaurant will use it as a hand held device for order taking, sales will use it for accessing availability when sitting with a prospect instead of leaving the client to find out, the finance team can use it to access real time financial data from their finance solution in the board meeting, the banqueting team will use it as a mobile Epos for cash wines, reception will use it for a check in device and the whole cycle starts again. Ultimately, the impact on the client is a more efficient streamlined service."

"With regards social media, there is an outstanding fact that never fails to amaze me - there are 50 million posts on Trip Advisor every month – OK, that's a global figure, but it's still a lot. I certainly know that whenever I am staying at a hotel, the first thing I do is check the reviews. From an hotelier's perspective, it is imperative that anything that is said "out there" is acted upon - and acted upon quickly. Real time feeds should funnel whatever is being said directly to the management team so that they can act upon it – be that the guest on Trip Advisor who just had a wonderful stay, or the corporate guest who just checked in and tweeted to say his room is freezing and check in took too long."

To find out more about the Infor SoftBrands hospitality software systems and how your business could benefit from them, please visit www.infor.co.uk/solutions/hospitality or contact Amanda Brown via Amanda.Brown@infor.com or 01252 556495.

Members' News

HOSPA Membership Survey 2011

This is the final in a series of articles presenting the results from the HOSPA Membership survey 2011 conducted by Cathy Burgess at Oxford Brookes University.

In three previous short articles we gave you some summary findings from the HOSPA Membership Survey of 2011. Here are some further results from the data that was gathered from the 'tick-box' questions, for financial personnel only, and some comparisons with a similar survey conducted by HFTP in the USA (see their journal Bottomline, September 2010). There were insufficient respondents from the RM and IT areas for any meaningful analysis.

Responsibilities

The number of people supervised is broadly the same in the UK and US, more than half of controllers in both countries have less than 5 staff. However, the higher number of large hotels in the US (52% of controllers are in hotels with more than 300 rooms, compared to 7% in the UK), mean that 23% of US hotel

controllers have more than 10 staff, compared to only 11% in the UK.

There is only limited information in the US survey as to the various responsibilities that controllers hold. In the UK the key areas are:

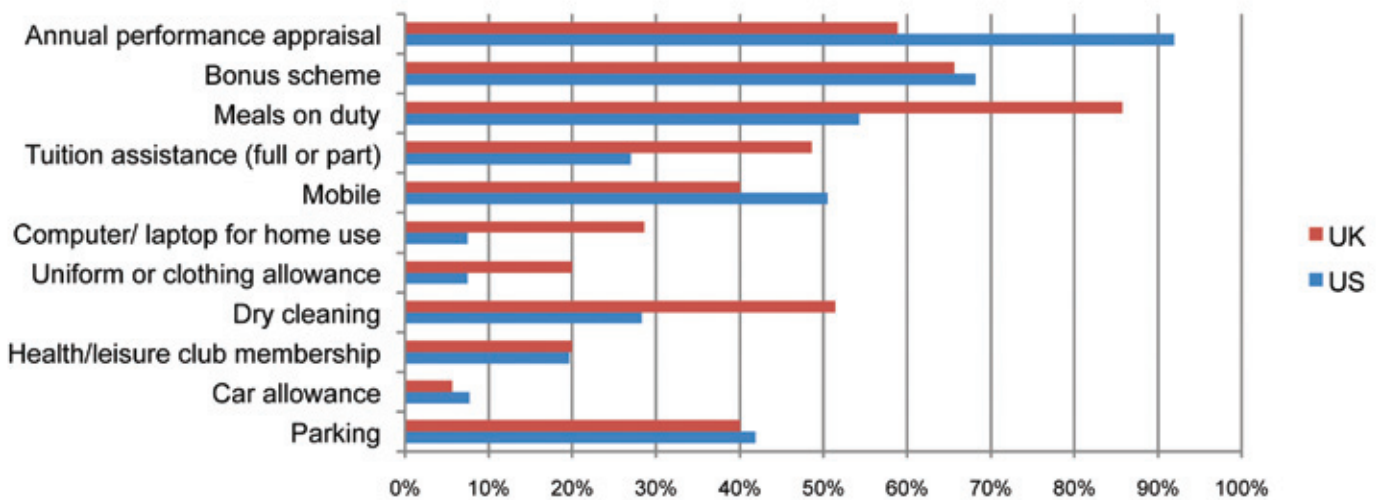
Budgets	100.0%	Systems Management	50.0%
Purchase Ledger/Payables	94.1%	Stores/Receiving	50.0%
Credit Control/Sales Ledger	91.2%	Pricing	47.1%
Nominal Ledger	91.2%	Analysts reports	47.1%
Payroll	85.3%	Statutory accounts	44.1%
Food & Beverage Control	82.4%	Insurances	41.2%
Cash management	79.4%	Duty Management	35.3%
Internal Audit	73.5%	Deputising for General Manager	32.4%
Purchasing	67.6%	Pension scheme administration	32.4%
Project appraisal/capex	67.6%	Night Audit & Front Office Cashiers	29.4%
VAT returns	64.7%	Corporation tax	29.4%
Fixed asset register	64.7%	Revenue Management	14.7%
Liaison with owner	64.7%	Published accounts	11.8%
Revenue Control	61.8%	Liaison with other investors	11.8%
PAYE returns	52.9%	Company secretarial	2.9%

Salaries and benefits

Salary levels in the UK:

Over £80,000	0.0%	£40,000 - £49,999	29.4%
£60,000 - £79,999	11.8%	£30,000 - £39,999	20.6%
£50,000 - £59,999	17.6%	under £30,000	20.6%

Comparisons with the USA survey for salaries are not meaningful, however there are some similarities when looking at benefits:



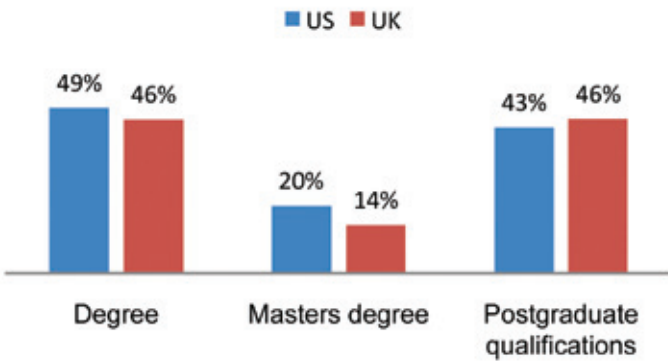
The chart indicates that there are many areas, such as tuition assistance and meals on duty, where UK controllers have better benefits than those in the US. However, far more US-based controllers have annual performance appraisals. Additional benefits in the UK that cannot be compared directly to the US survey are:



Holiday entitlement & overtime

The average number of holiday days in the UK is 22.6. Almost two-thirds 'always' work more than 5 hours unpaid overtime per week, although a quarter only 'occasionally' work overtime.

Education levels



Although university-level education is a little higher in the US, UK members have marginally better postgraduate qualifications which is perhaps linked to the level of tuition-fee support shown in the benefits chart above. Professional association (apart from HOSPA) membership in the UK is:

Institute of Hospitality	5.9%	ACCA	14.7%
CIMA	17.6%	AAT	14.7%

There were no respondents who were members of the ICAEW. Altogether, these seem to be very low response rates, perhaps indicating the attitudes in the industry towards professional associations (other than our own!).

However, qualifications are still seen as 'very important', with accounting degrees (34%) being seen as even more relevant than hospitality ones now (29%). Professional accounting qualifications show similar ratios, with 40% saying that they are very important.

Training levels are still low, reflecting results from previous surveys, with almost half of the respondents not having been through a formal management training programme. Further, one third have had no training or development during the previous year, and another third have had only one type of training.

Experience

In the UK, two thirds of respondents have been in the industry for more than 10 years and a third have been with the same company for more than five years. Almost half have been in the same position for between 1 and 5 years. In the US, on average, professionals have been in the same position for 7 years. The number of years professionals stay in the same position increases with age – the older they are, the more likely it is that they stay in the same position for longer.

In the UK, 60% previously worked in the operational areas of hospitality and slightly more have experience working outside the industry. Similar, the US survey also showed movement from other industries into the hospitality industry.

In terms of their current job, the HOSPA membership survey shows that 43% had found it via a recruitment consultant, but less than 20% had been recruited from within their own company.

If you have any questions or comments on any of these results, then please contact me via email (clburgess@brookes.ac.uk).

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



Beacon Appoints Katie Ritson As Director Of Customer Accounts

Beacon, a HOSPA Founding Sponsor and one of the largest purchasing solutions businesses in the UK hospitality, leisure and healthcare sectors, has appointed Katie Ritson as its new Director of Customer Accounts.

Katie brings to Beacon over 15 years' sales and account handling experience gained in the hospitality and leisure sector. Her career so far has included senior roles in both independent, medium size and large corporate hotel groups, including IHG where she worked in various UK properties over a 7-year period, winning awards for outstanding revenue generation. Her new role will see her spearheading Beacon's 18-strong customer services team, maximising client retention and the growth and penetration of Beacon's existing business. Chris Durant, Managing Director of Beacon, said: "I am delighted to have Katie on board. Her experience will be an asset to Beacon as we continue to focus on enhancing the delivery of the excellent products and services that our members have come to expect. Beacon's profile in the industry has grown considerably in the last few years, and Katie will help to ensure that we continue to be the first choice in purchasing solutions among our loyal customers."

Katie will be based at Beacon's office in York.



Hotel Group Development Pipelines in Africa, 2012

Each year, the West Africa-based W Hospitality Group carries out a survey of the international hotel brands' development activities in Africa. Based on information supplied by the chains themselves in January and February 2012, this research tracks signed and confirmed deals in the 54 countries of Africa – South Sudan was “in the pipeline” last year and became the 54th country on 9 July 2011 (but still nothing in the hotel pipeline there!). We are aware that many other deals are being discussed and we will include them in future surveys. The research does not include chains with operations in only one country.

We estimate that the hotel chains in the survey currently have almost 99,000 rooms operating in Africa, with around 44,300 in North Africa and 54,600 in sub-Saharan Africa. But when one considers that there are only five countries in North Africa (Morocco, Algeria, Libya, Tunisia and Egypt), with an average of 8,900 rooms per country, the opportunity in the other 49 countries (average 1,100 rooms) on the continent is obvious. Africa is receiving increasing attention from international chains, who clearly see the need to expand their presence, particularly with above-average growth in the number of travellers to the region and some of the fastest-growing economies in the world.

Some of the 2012 Research Findings are:

- At the beginning of 2012, the international hotel chains reported a total of 208 hotels, with just over 38,000 rooms, in their development pipelines in Africa.
- Whilst Ibis (including Ibis Budget) head the game in terms of the number of hotels in their pipeline, Radisson Blu has the most rooms in their pipeline. Onomo is a new entrant to the rankings, coming in at number 7 in 2012.
- When only considering hotels/rooms which are under construction, then the ranking looks different: Hilton takes first position, with over three quarters of its pipeline actually coming out of the ground. Le Meridien and Golden Tulip have 100% of their signed rooms on site – but a relatively small pipeline compared to the global giants.
- Accor has the highest number of brands that they are promoting in Africa, closely followed by Starwood.
- Most hotels/rooms are under construction in Egypt, followed by Nigeria, Morocco and Tunisia.

To view the complete research paper, which was written by W Hospitality Group's Trevor J Ward, Managing Director, and Damilola Adepoju, Consultant, please visit the HOSPA website.

Brookes Hospitality Leadership Forum - 25th May 2012

After the highly successful inaugural event in 2011, the 2nd edition of the Brookes Hospitality Leadership Forum, sponsored by PwC, will be back at the Savoy Hotel, London, on Friday 25th May 2012.

Organised by the Oxford School of Hospitality Management in conjunction with Fairmont Hotels & Resorts, the Brookes Hospitality Leadership Forum brings together industry and academic leaders to discuss overarching themes of strategic importance to the hospitality and tourism industries.

The Forum will incorporate keynote speakers and panel discussions, focused on three themes:

- Leadership and Talent development - Transformation through Partnership.
- Business Innovation - Reimagining the Brand.
- Responsible Business Practice - Moving from old to new forms of capitalism – meeting the Green Growth challenge.

There will be a strong line up of speakers and panellists including Ufi Ibrahim, CEO British Hospitality Association, Michael Nowlis, Program Director of the London Business School, John Ludlow, SVP Global Risk Management of IHG and Geoffrey Lipman, Visiting Professor at Oxford Brookes University.

Rates for the Leadership Forum are £255 standard rate and £145 discounted rate which is for Oxford Brookes University Alumni, Fellows and Mentors.

More information is available on the Oxford School Hospitality Management website (<http://hospitality.brookes.ac.uk/leadership-forum/>).



UK CHAIN HOTELS MARKET REVIEW - March 2012

Rising costs ruin TrevPAR recovery as Provincial hotels suffer Q1 profit drop

The first three months of 2012 make for gloomy reading for Provincial hoteliers as profit per room suffered a year-on-year decline of seven per cent in Q1, according to the latest HotStats survey of approximately 560 full-service hotels across the UK by TRI Hospitality Consulting.

March was the strongest period of trading for Provincial hoteliers since the beginning of the year with a 1.2% increase in Revenue per Available Room (RevPAR), which was primarily driven by a one per cent increase in achieved average room rate, to £68.69.

In addition to the growth in rooms revenue, hotels in the Provinces were able to achieve a 4.5% increase in food and beverage revenue, to £28.89 per available room, which contributed to the first Total Revenue per Available Room (TrevPAR) increase in the regions in 2012.

However, rising costs were to blame for a swing from a TrevPAR increase of 1.3% to a Gross Operating Profit per Room (GOPPAR) decrease of 1.8% during March.

Following the tough start to the year which included a 14.3% decline in profit per room in January and a 10.2% decrease in February, the 1.8% decline in profit per room in March may be considered a step in the right direction.

Whilst payroll costs for the month remained stable at approximately 32.6% of total revenue, the decline in profit per room only served to highlight the threats to profitability in other costs. One of the hardest hit this month was food and

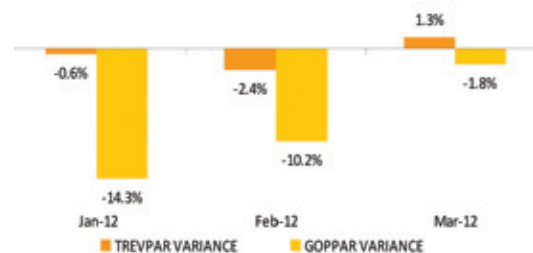
beverage, which, despite the increase in revenue levels showed a decline in food profit conversion of 0.8 percentage points.

“During a period when hoteliers are finding it increasingly difficult to pass on any increases in costs to the consumer, the latest figures from the British Retail Consortium show that the rate of food price inflation in the UK climbed to 5.4% in the year to March, up from 4.2% in the year to February.

This has undoubtedly impacted the ability of hoteliers to convert a strong increase in food and beverage revenue to an increase in profit in this department,” said Jonathan Langston, managing director at TRI Hospitality Consulting.

Good news has been hard to find in the Provincial hotel market during the first quarter of the year, but the markets which have recorded positive profit results on a per available room basis during this period have included Cambridge (+0.7%), Reading (+6.5%) and Chester (+29.5%).

PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats London Main KPIs

PROVINCES

	Mar '12	Mar '11	Var b/w		YTD '12	YTD '11	Var b/w		
Occ %	67.7	67.6	0.1	▲	Occ %	62.4	62.2	0.2	▲
ARR	68.69	67.98	1.0%	▲	ARR	67.37	67.33	0.1%	▲
RevPAR	46.52	45.97	1.2%	▲	RevPAR	42.07	41.85	0.5%	▲
TrevPAR	89.17	88.04	1.3%	▲	TrevPAR	80.09	80.45	-0.5%	▼
Payroll %	32.6	32.7	0.1	▲	Payroll %	36.2	35.9	-0.3	▼
GOP PAR	25.09	25.54	-1.8%	▼	GOP PAR	17.50	18.83	-7.0%	▼

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

Q1 results set strong pace for London hotels during Olympic year

Despite the slight decline in room occupancy in March, hotels in London have recorded a near faultless performance across all headline performance measures in the first quarter of 2012 suggesting that they are shaping up for a successful Olympic year, according to the latest HotStats survey of approximately 560 full-service hotels across the UK.

Following the period of decline in Q4 2011, hotels in London have successfully achieved a 3.1% increase in profit per room in Q1 2012, with strong increases in GOPPAR recorded in January (+6.8%) and March (+2.1%).

In line with the performance of London hotels in 2011, the year-on-year growth in TrevPAR in Q1 2012 has been primarily as a result of a strong increase in achieved average room rate, which in the first quarter of the year grew by 2.6% to £124.14.

The 3.3% increase in achieved average room rate in March, to £127.75, was as a result of a strong increase in corporate (+3.3%), residential conference (+4.5%) and leisure (+3.5%) rates as significant volume levels enabled the capital's hoteliers to effectively yield demand across all sectors.

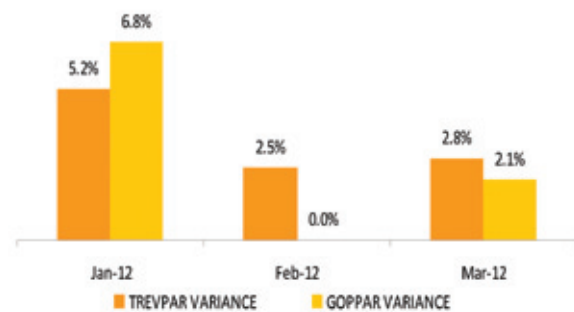
Although hotels in the capital have been able to successfully grow profit per room across Q1; in line with the Provincial market, hotels in London have been the victim of increasing food costs, which have impacted the overall profitability in this department, which dropped by 0.3 percentage points to 31.8% of food and beverage revenue.

"Whilst revenue and profit levels between London and the Provinces become increasingly disparate, the one thing which unites the two hotel markets is the price of goods. And whilst branded hotels in the regions are feeling the pinch because of inflationary increases in food cost, hotels in London will undoubtedly be equally hard hit," said Jonathan Langston.

Despite suffering a 1.7% decline in food and beverage revenue per available room, hotels in London's five-star sector achieved a 3.3% increase in profit to £97.49 per available room. The GOPPAR increase in the five-star sector for Q1 2012 was primarily as a result of a 5.1% increase in RevPAR as the top hotels in the capital achieved a 3.7% year-on-year increase in average room rate to £212.99.

However, at 39.7%, profit conversion at hotels in the five-star sector was slightly below the overall London market at 42.5% of total revenue, reflecting the higher operational cost base associated with the five-star product, particularly in payroll.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats Provinces Main KPIs

LONDON

	Mar '12	Mar '11	Var b/w		YTD '12	YTD '11	Var b/w		
Occ %	79.4	79.7	-0.3	▼	Occ %	75.3	74.0	1.3	▲
ARR	127.75	123.66	3.3%	▲	ARR	124.14	121.04	2.6%	▲
RevPAR	101.40	98.58	2.9%	▲	RevPAR	93.46	89.56	4.4%	▲
TrevPAR	142.40	138.48	2.8%	▲	TrevPAR	130.48	126.23	3.4%	▲
Payroll %	24.4	24.4	0.0	▲	Payroll %	26.8	26.9	0.1	▲
GOP PAR	66.12	64.78	2.1%	▲	GOP PAR	55.48	53.81	3.1%	▲



HOTSTATS Briefing Data

UK Chain Hotels - Performance report Currency: £ Sterling



The month of March 2012

	Mar '12	Mar '11	Var b/w	
TOTAL UK				
Occ %	71.9	71.9	0.0	▲
ARR	91.99	90.02	2.2%	▲
RevPAR	66.13	64.76	2.1%	▲
TrevPAR	108.19	106.05	2.0%	▲
Payroll %	28.8	28.8	0.1	▲
GOP PAR	39.75	39.56	0.5%	▲
LONDON				
Occ %	79.4	79.7	-0.3	▼
ARR	127.75	123.66	3.3%	▲
RevPAR	101.40	98.58	2.9%	▲
TrevPAR	142.40	138.48	2.8%	▲
Payroll %	24.4	24.4	0.0	▲
GOP PAR	66.12	64.78	2.1%	▲
PROVINCES				
Occ %	67.7	67.6	0.1	▲
ARR	68.69	67.98	1.0%	▲
RevPAR	46.52	45.97	1.2%	▲
TrevPAR	89.17	88.04	1.3%	▲
Payroll %	32.6	32.7	0.1	▲
GOP PAR	25.09	25.54	-1.8%	▼

The Calendar year to March 2012

	YTD '12	YTD '11	Var b/w	
TOTAL UK				
Occ %	67.0	66.3	0.7	▲
ARR	89.96	88.48	1.7%	▲
RevPAR	60.26	58.70	2.7%	▲
TrevPAR	97.93	96.62	1.4%	▲
Payroll %	31.7	31.7	0.0	▼
GOP PAR	30.95	31.18	-0.7%	▼
LONDON				
Occ %	75.3	74.0	1.3	▲
ARR	124.14	121.04	2.6%	▲
RevPAR	93.46	89.56	4.4%	▲
TrevPAR	130.48	126.23	3.4%	▲
Payroll %	26.8	26.9	0.1	▲
GOP PAR	55.48	53.81	3.1%	▲
PROVINCES				
Occ %	62.4	62.2	0.2	▲
ARR	67.37	67.33	0.1%	▲
RevPAR	42.07	41.85	0.5%	▲
TrevPAR	80.09	80.45	-0.5%	▼
Payroll %	36.2	35.9	-0.3	▼
GOP PAR	17.50	18.83	-7.0%	▼

The twelve months to March 2012

	Rolling '12	Rolling '11	Var b/w	
TOTAL UK				
Occ %	73.7	73.0	0.7	▲
ARR	93.78	90.96	3.1%	▲
RevPAR	69.14	66.41	4.1%	▲
TrevPAR	111.36	109.09	2.1%	▲
Payroll %	28.5	28.7	0.2	▲
GOP PAR	42.26	41.50	1.8%	▲
LONDON				
Occ %	81.7	81.3	0.4	▲
ARR	132.36	125.14	5.8%	▲
RevPAR	108.11	101.70	6.3%	▲
TrevPAR	147.52	141.49	4.3%	▲
Payroll %	23.9	24.4	0.5	▲
GOP PAR	70.90	67.27	5.4%	▲
PROVINCES				
Occ %	69.4	68.5	0.9	▲
ARR	68.83	68.79	0.1%	▲
RevPAR	47.74	47.11	1.3%	▲
TrevPAR	91.51	91.38	0.1%	▲
Payroll %	32.5	32.4	-0.2	▼
GOP PAR	26.54	27.42	-3.2%	▼

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Members' Events

Forthcoming events



May 24

HOSPA Members' Meeting - Tax Forum 2012 - London

Please join us for a question and answer session with some leading tax experts and speak directly with the Leisure and Tourism adviser at HMRC. HOSPA Patrons PwC very kindly host this meeting in their new building in More London.

This event is free of charge to both HOSPA members and non-members, so feel free to register your colleagues to attend also! To find out more or to register, please visit the events section on our website <http://www.hospa.org/en/events/eventsdetails/hospa-tax-forum-2012/>.

May 25

Brookes Hospitality Leadership Forum - London

After the highly successful inaugural event in 2011, the 2nd edition of the Brookes Hospitality Leadership Forum will be back at the Savoy Hotel, London, on Friday 25th May 2012. For more details please visit <http://hospitality.brookes.ac.uk/leadership-forum/>.

May 28

HOSPA Members' Meeting - Technology Supporting the Olympics

This Members Meeting on the topic of 'Technology supporting the Olympics' to be held on Monday 28th May 2012 from 6.00pm at the Park Lane Hotel, London (Piccadilly, London, W1J 7BX) in the Tudor Rose Room.

Speakers at this event include:

- Chris Bruce, Director of Business Development, BT Wi-fi
- Darren Maclean, Programme Director, BT Wi-fi

Registration is necessary to attend. To register, please visit the events section in the HOSPA website <http://www.hospa.org/en/events/eventsdetails/hospa-members-meeting-technology-supporting-olympics/> or email wayne.gosden@hospa.org with your details.

May 30

Keystep seminar - Hospitality-Floating on a Cloud! - London

HOSPA Patrons Keystep host a free half day seminar on 'Cloud Computing' for Hospitality professionals. For more information and to register, please visit the events section on the HOSPA website.

Jun 18

HOSPA Revenue Management Forum - London

The HRMC have organised their annual forum, titled "Flash Sales". Venue is to be confirmed at a later date.

Jul 12

HOSPA Members' Quiz Night - London

Nov 22-23

HOSPSPACE 2012 - London

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PKF
PricewaterhouseCoopers
Rate Tiger
Rieo Communications
Risk Factory
Softbrands, an Infor Affiliate
STR Global
Symon - Digital Signage
The NAV People
The Ritz Hotel, London
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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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Date for your Diary...

HOSPACE 2012

22nd and 23rd November 2012

Sofitel London Heathrow, Terminal 5

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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