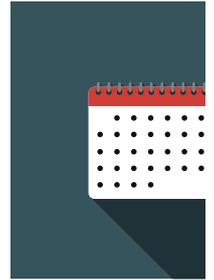


THE OVERVIEW

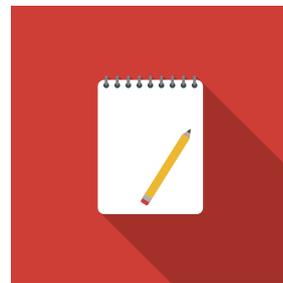
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AUGUST ISSUE 2020



The next phase

HOSPA webinar P4



Featured inside

Privacy Shield: the impact on hospitality P5
VAT cut: the nuances P17



Welcome to THE OVERVIEW

This month saw that most unusual of all things: a UK chancellor acknowledging the hospitality sector. And not just acknowledging it, but taking thoughtful measures to protect it.

Anyone would think that Rishi Sunak had heard that the hospitality industry was the fourth-biggest employer in the UK, accounting for 3.2 million jobs through direct employment in 2016, and a further 2.8 million indirectly. The industry generated over £73bn of Gross Value Added directly to the UK economy, and a further £87bn indirectly.

Sunak may not have been down with the minutiae, but he acknowledged that the UK economy rested on “social consumption” and announced a cut in VAT from 20% to 5% across hotels, restaurants, theme parks, cinemas and other attractions, described by him as a “£4bn catalyst”. The measure will last from 15 July until 12 January 2021. Quite the moment for the sector, which has been campaigning for a VAT cut at least since

this hack entered the industry on 9/11.

“It’s the first time I can remember when the hospitality industry has been recognised for the contribution that it makes,” said Simon Emeny, Fuller’s CEO. And the rest of us were equally startled.

The chancellor also announced the Eat Out to Help Out discount scheme, which will provide a 50% reduction for sit-down meals in cafes, restaurants and pubs across the UK from Monday to Wednesday throughout August, up to a maximum of £10 per head on a bill, including food and non-alcoholic drinks, but excluding alcoholic drinks.

The measures came the week after Super Saturday, the day when Brits were supposed to get back out to the pub and prop up the bar and the economy. But it didn’t quite play out that way and customers remain concerned about safety. Will vouchers tempt them out? They might. But three days a week does not a summer make. Sunak is going to have to make his acquaintance with hospitality a lifelong event, not a holiday romance.

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Katherine Doggrell

Editor | katherine.doggrell@hospa.org

CEO
Jane Pendlebury
jane.pendlebury@hospa.org

Editor
Katherine Doggrell
katherine.doggrell@hospa.org
+33 6 42 75 45 95

Membership & Events
Robert Maloney
Membership Officer
rob.maloney@hospa.org
0203 418 8196

Editorial Board
Diana Mountain
Treasurer

Helen Marshall
Head of Sponsorship

Contact:
hospa@hospa.org
0203 418 8196

Publisher
Hospitality Professionals Association

Professional Development
Debra Adams
Head of Professional Development
debra.adams@hospa.org
01202 889 430

Sue Callard
Programmes Coordinator
sue.callard@hospa.org
01202 889 430

Gill Sommerseth
Academic Administrator

HOSPA, Uplands Cottage, Grayswood Road, Haslemere, GU27 2BS

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



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Time to rebuild

How else could I start other than by applauding our chancellor Rishi Sunak on July's mini budget?

The 5% VAT, the Eat out To Help Out scheme and the furlough / job retention bonus were all welcomed with excitement and great relief. It won't be enough to save every business, of course, but it is perhaps more than we anticipated. My personal hope is that the spotlight on hospitality might help the wider British public appreciate how hard the sector has been hit by the COVID-19 pandemic and encourage them to offer their support to local coffee shops, pubs, and restaurants, as well as hotels and other accommodation providers who lie further afield.

Those of us closely involved have always understood the low margins alongside the hard work that goes into delivering the best experiences. Perhaps now there will be a greater appreciation of the industry as a result of the lockdown.

As hospitality professionals, we can show our own support in various ways, as we also look to 'give something back', whether through a donation to the wonderful charities (HOSPA supports Hospitality Action, Springboard, Only a Pavement Away and Room to Reward – all of whom continue to do amazing work) or by indulging in some extra delights delivered by hospitality venues to help keep revenues flowing.

This is something I did myself recently, affording myself a trip down memory lane in the process.

My career in hospitality started at The Castle Hotel in Taunton. During school holidays I would work as a waitress in its Michelin starred dining room, alongside the late chefs Chris Oakes and Gary Rhodes. It's safe to say it wasn't a bad introduction to the world of hotels!

A little later in my career, having studied for a degree in hospitality (despite being advised at the time I'd be better off learning on the job!) and embarked on a DeVere Management training programme incorporating various departments, I



ended up back at The Castle running the front desk.

Fast forward to the present day and just a couple of weeks ago I visited Taunton to see my mother, but, given social distancing, my family couldn't stay with her as we would normally have done. So, I grasped the opportunity to fulfil a long-held dream and in the process put some money back into the industry that has given me my career, reserving two rooms at the Castle Hotel.

I'd never actually slept in the hotel before and it didn't disappoint. Despite social distancing requirements and not all the public areas being fully open it was a wonderful experience nonetheless, which also gave me a first hand insight into the precautionary measures that I have talked about so much and that hotels have now implemented.

There were one-way systems in place, our keys – they still have the traditional metal keys – were left in the room, a clear plastic screen protected the reception staff, there were hand sanitiser dispensers everywhere, a digital guest directory accessed via a QR code, single use menus, plated breakfasts at

a pre-agreed time and so on. Much had changed, but it was all delivered with unflinching charm, grace and a sense of tradition, which meant that, despite the restrictions, the principles of hospitality had remained untouched. The warm welcome, the large comfortable rooms and beds, the convenient location and the views of the gardens and local hills were all as I remembered.

The Castle Hotel was a real treat that lived up to expectations, and I hope that, going forward, this will be the experience that most will encounter as part of the new normal. Fundamentally, hospitality's offering hasn't changed, it's just been adapted and is still as enjoyable and relaxing as it's ever been. This is something that we shouldn't lose sight of. Our contribution to wider society is as valuable as it's ever been and it's something that we should remember as we look to move forward and rebuild.

Jane Pendlebury

HOSPA CEO
jane.pendlebury@hospa.org

Ancillary revenues key to reopening

Hotels will need to look at ancillary revenues before making the decision to reopen, according to a webinar hosted by HOSPA.

Hotellers were warned to consider the “overhangs”, including deferred taxes, when addressing whether they could afford to reopen.

Michael Grove, managing director EMEA, Hotstats, said: “Ancillary revenues are very important. For luxury hotels, you’re looking at up to 50% of the revenue coming from outside rooms. If you’re only looking at rooms revenue, it’s a whole different type of analysis and around 43% occupancy before break even. But at select service, rooms only is more profitable as their ancillary revenue is loss making.

“You have to be creative if the bar is closed. Room service might be dramatically positively affected if we do it properly. Time and attendance will be important when it comes to making decisions over using a large part of the hotel for a small amount of time or whether you spread meal times out.”

David Bridge, head of HOSPA’s Asset Management community, suggested: “We have often talked about revenue per square metre, maybe we should look at revenue per square metre per hour.” He noted that, after the global financial crisis, “it was the occupancy that built, then it gave you the chance to grow the rate, then corporate was back, meetings were back and that gave us the opportunity to make a lot of profit. But that was all because we saw a lot of activity. The important thing is to be out there, segment by segment, and build. I can’t imagine I would go somewhere and pay a premium price for a room if I can’t use the bar and restaurant and meet up with others.

“You have to look at every individual property. For a large convention centre there’s little point in reopening,

particularly if you get a lot of business overseas. Some of the provincial properties have seen the season commence and places where 80% of your guests are from the the UK, there is an opportunity. There’s going to be a lot of frustrated demand which can be caught in the UK, probably in the provinces rather than London. If you’ve got a lot of local, leisure business then you’re going to pick up more quickly. Then what can you do with restaurants and meeting space with social distancing?”

Michael Heyward, managing director, Heyward Hospitality, said: “Most of us would expect at the very least room service. Then you need to find profitable revenue streams. Quite a lot of hotels

have enormous restaurant spaces which are used for breakfasts - the space is not used for the rest of the time and this gives you a chance for the rest of the week.”

Grove was confident that “pent-up demand is there and people will want to get back to normal quite quickly, particularly in the leisure segment. Everyone has been conserving their cash, but managing it going forward is going to be a challenge, particularly with the loss of the meetings business”. However, he cautioned: “There’s an overhang on the balance sheet such as tax which has been deferred. It’s not just about the balance sheet.”

With agreement that the leisure segment would be the first to return, Grove added: “Deposits for meetings are the source of cash for many businesses, they have to think about managing that. There’s been a lot of talk about which segments will return the quickest, if your operations were focused on guests who were at risk then you may need to think closely about reopening.”

Addressing hopes for a speedy recovery, Grove said: “What history shows us is that TREVPAR returns from four years after the GFC, but profit is twice that. London recovered in some asset classes in 18 months - there are a lot of variables. This is recovery to pre-crisis levels, what we want to do is get back to profit. As much as looking at previous events is important, the current situation is out of scale with everything else. Looking at history is not totally useless, but it’s not a great reference point.”

It’s easy to imagine the stakeholders sitting in shock, unable to choose whether to leap left or right. But Bridge urged bravery, commenting: “By being open, you have visibility, maybe that loss is a marketing loss.” Time to take that leap?

What history shows us is that TREVPAR returns from four years after the GFC, but profit is twice that. London recovered in some asset classes in 18 months - there are a lot of variables. This is recovery to pre-crisis levels, what we want to do is get back to profit. As much as looking at previous events is important, the current situation is out of scale with everything else. Looking at history is not totally useless, but it’s not a great reference point.”

Hospitality and the Privacy Shield

On 16 July 2020, the privacy world shook once more when Europe's highest court, the European Courts of Justice (ECJ) announced their judgement in respect of the "Schrems II" case, where it was decided that the EU-US Privacy Shield is to be invalidated with immediate effect.

This really is a ground-breaking judgement which is going to cause significant headaches to thousands of organisations that relied on the EU-US Privacy Shield as a legitimate safeguard in order to transfer data from the EU to the U.S. Thankfully at this moment in time standard contractual clauses (SCCs), which is another data transfer safeguard mechanism available to organisations, has been upheld by the ECJ as still being a valid mechanism, however, as you will read further below, the use of the SCCs have also some added complications as a result of the judgement which will affect the majority of organisations if they are transferring personal information internationally.

The risks are no different for an organisation working in the hotels and hospitality industry. Many organisations that operate in this space are part of larger international groups and as a result involve a significant flow of data internationally and, as you continue to read through this article, it is important to note that the implications of this are not just limited to data transfer to the U.S. Additionally even if this scenario is not relevant to an organisation, there is still usually an exposure to data transfer to some degree that will most likely be caught by the requirements of this recent ECJ judgement.

Key points coming out of the judgement

The decision really does put into question how organisations are going to be able to transfer personal data to the U.S.

but also now in relation to other third countries given that the validity and future use of the SCCs are now considered to be questionable. Some of the main points coming out of the judgement for consideration include:

- The EU-US Privacy Shield is invalidated as from the 16 July 2020. There appears to be nothing included within any of the judgement text on any grace period being afforded to organisations relying on this as an acceptable safeguard, so they will now be scrabbling around to try and find another legal basis in order to transfer data to the U.S. legally.
- The use of SCCs as noted above has been upheld for the time being by the ECJ, however it is not going to be as easy for organisations to just rely on falling back onto these without first considering some significant factors coming out of the judgement.
- The ECJ have stated that where there are any conflicts between the recipient third country laws and the future use of SCCs, these must be considered with the potential to suspend or prohibit the transfers where necessary.
- This means that in practice a data exporter and the recipient of data wanting to rely on SCCs in order to transfer personal data to a third country, must on a case-by-case basis, undertake a level of due diligence in order to demonstrate that the recipient third country ensures adequate protection under EU law for any personal data transferred. In the event that this cannot be achieved,

the data exporter must then consider using additional safeguards or they will be left with no option but to suspend the transfer. Further to this it should also be noted that the supervisory authorities now have the power to suspend transfers where they take the view that the third country will not have an adequate level of protection in place required by EU law.

- It remains to be seen how this affects the transfer of personal data to the U.S. By virtue of the fact that the EU-US Privacy Shield has been invalidated, predominantly due to the lack of protections surrounding government access to the information, means that the ECJ's view of the U.S. to have sufficient protections in place is somewhat lacking. As a result of this it will be extremely difficult for an organisation to conclude and justify relying on the use of SCCs in the context of personal data transfer to the U.S. so it remains to be seen how this one plays out over time.
- Of course this has a far wider reach than just personal data transfers to the U.S. This effectively affects any organisation that is transferring personal data to a third country and is currently relying on the use of SCCs as the lawful remedy to do this.

What do you need to do now?

As we know, the ECJ's decision is still very fresh. Privacy professionals all over the world are now speculating on how this will play out and, to be honest, no



one really quite knows at this point. Despite this there are a few things that an organisation operating in the hotels and hospitality sector can start looking at and considering in the meantime whilst the dust settles and more specific guidance is developed on what will be acceptable and what won't be.

- This has the potential to be very significant for an organisation that operates in the hotels and hospitality sector. The sector deals in the processing of a significant amount of personal information such as guests, customers, suppliers and employees and for any large or small branded hotel or restaurant chains that have an international exposure, the likelihood is that there will be significant flows of personal information to third countries.
- It is therefore extremely important that if you are a company operating in this sector such as a hotel, a restaurant chain or any other hotel & hospitality based organisation you should sit down and fully understand the entire data transfer environment that you are exposed to. Remember this isn't just in relation to personal data transfers to the U.S. Given the additional considerations required around the future use of SCCs this will affect all data transfers to any third country where adequacy is not provided where an organisation uses the SCCs as their data transfer safeguard.
- For any exposure to companies that are relying on the EU-US Privacy Shield, your organisation will need to look for an alternative legal basis in order to

continue to transfer the personal data. There are several options provided by GDPR which include:

- SCCs (taking all of the above into consideration)
- Binding corporate rules
- Available derogations (outlined in Article 49 of the GDPR) which include consent
- When continuing to rely on the use of SCCs, it is now very important that your organisation starts reviewing each data transfer on a case-by-case basis and documenting the assessment on whether the third country has the required protections in place in respect of meeting the standards that the EU expects.

Why have the ECJ invalidated the EU-US Privacy Shield

So why exactly has the ECJ decided to make this decision? In a very long judgement text that was issued, it came down to three main factors:

- Firstly, it was deemed that the current U.S surveillance programs are currently not limited to processing personal data to what is strictly necessary and proportional, which in essence results in the conflict of individual rights in line with the requirements of Article 52 of the EU Charter on Fundamental Rights.
- Secondly, the subsequent review confirmed that the conditions built into the EU-US Privacy Shield were not considered to be sufficient

enough to counter and mitigate the risks posed from the surveillance techniques used by the U.S. authorities. This translated into not being able to provide data subjects with the adequate protection required under EU data protection regulation.

- The final point focuses on the function of the EU-US Privacy Shield ombudsperson, the fact the ombudsperson is not considered to be independent and that EU data subjects are not able to seek a course of action i.e. compensation, claim for damages and do not have the right to an effective remedy in the U.S as required by Article 47 of the EU Charter.

The Background

To provide a brief background on the decision, you have to go back a few years to a gentleman called Max Schrems, an Austrian data privacy activist whose initial goal in life was to raise awareness around the misuse and lack of protection of personal data by Facebook. At this particular point in time, Facebook were relying on Safe Harbor which was the EU-US Privacy Shield's predecessor. As a result of this, Max Schrems ended up submitting a complaint which once again reached the ECJ ending up with the decision in October 2015 to invalidate Safe Harbor (known as Schrems I).

Facebook as a result of this judgement instantly fell back onto another available mechanism which was the SCCs and Max Schrems again issued a complaint, this time on the basis that the SCCs did not provide adequate security to individuals in respect of the processing of their personal data, specifically focusing on the U.S authorities and their surveillance capabilities.

This reached the ECJ in November 2019 (which also included a review of the EU-US Privacy Shield), which resulted initially in a non-binding decision issued by the Advocate General (AG) that for the moment the SCCs were still deemed to be a valid way to transfer personal data to third countries, bringing us up to the announcement of the ECJ on 16 July - it was widely expected that the AG's recommendation would be upheld by the ECJ which in part, in relation to the SCCs, it was (with some added complications), however there was a surprising twist

in the tail which has resulted in the invalidation of the EU-US Privacy Shield.

Recommendations

This really is a day of reckoning in the world of data privacy for any organisation that has an exposure to third country data transfer. As a result of the judgement there is now a significant risk to all organisations in this regard that requires addressing.

We don't know how this is yet to play out but there are a number of things organisations within the hotels and hospitality sector should be doing now in order to start reacting to the decision. It is imperative that you do sit up and start acting – there is a real risk now of private litigation in respect of data transfer violations occurring and this of course is in addition to the potential financial sanctions that remain available (GDPR 4% of global turnover or €20 million – the greater of) to any supervisory authority if they feel an organisation is not acting in

their best interests. You only have to refer back to the pending £99 million sanction the UK's Information Commissioner issued to Marriott International in 2019 to remind us how much power the supervisory authorities now have.

Hotel and hospitality organisations should also, as a result of identifying their exposures ensure that this is formally documented. Record keeping really will be so much more important going forward in order to demonstrate that your organisation is fully accountable for the data transfer conclusions you are making – do you fully understand your exposure to data transfer and have you formally documented the assessments needed in respect of continuing to use SCCs? Are your existing contracts up to date and do they include the correct data transfer clauses? It really isn't sufficient any longer to just treat the use of SCCs as a paper exercise, sign them and just file them away.

And what about Brexit and the impact that this may have on personal data

transfers for any hotel or hospitality organisation located inside the United Kingdom, transferring personal information into the EU? At the end of the transitional period on 31 December 2020, it is extremely unlikely that the UK will be granted adequacy by the European Union. This therefore will mean that any personal data transfers from the UK into the EU will also need to be considered urgently by organisations in advance of the end of the transitional period, particularly if SCCs are going to be used as this approach will need to be fully justified.

Finally, we are hearing a lot of noise around the possibility of a Schrems III being developed. We're not so sure – any third throw of the dice in this regard would require considerable negotiation and this isn't something that I can see happening any time soon.

Christopher Beveridge

Director and Head of Privacy & Data Protection, BDO LLP

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Celebrating with our top learners!

This month we are featuring Andrew Bunting, who is currently a Commercial Analyst at Amaris Hospitality. Andrew achieved the highest overall grade for Level Three, Revenue Management course which he completed in February 2019 and he was presented with his award by HOSPA President Harry Murray MBE, at the HOSPA Annual Awards Ceremony in January.

Amaris Hospitality is a leading hotel investment and management company, currently managing a portfolio of 30 hotels in the UK and Ireland trading under prestigious, international brands such as Hilton, Hilton Garden Inn, DoubleTree by Hilton, Mercure and Ibis Styles.

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Between 2015 and 2018 Amaris Hospitality completed a significant £125 million investment programme and a series of other successful strategic initiatives, including the rebranding of 21 hotels, aimed at significantly enhancing the quality and performance of our portfolio.

Andrew first joined the hospitality industry as a member of the banqueting team at Brig O' Doon House Hotel (Ayrshire) when he was 15 and explains what led him to his current role.

"After graduating from University (BSc Chemistry), I wanted to be part of a team working with the public rather than working solo in a lab. I took a reception job with Park Inn by Radisson in Glasgow and worked my way through Thistle, Principal Hayley and Hilton Hotels working in varied roles (Assistant Front Office Manager, Duty Manager, Guest Relations, Sales) before landing in revenue and moving into my current role.

Studying for my HOSPA Revenue



Management level 3 has provided me with an opportunity to refine my knowledge of total revenue management and apply the techniques and learning to real life examples. The course has provided me with a framework upon which I can build my career in revenue, with a firm knowledge of the processes, terminology and expectations of the industry.

My hope is that I use my qualification and learning to further my career, and to make use of the opportunity that I've been given. I would encourage anyone who has aspiration of a long-

term career in hospitality (even if not in revenue management) to consider a HOSPA qualification due to the deep level of understanding achievable and the support and community involved."

We are now enrolling for all Levels of the HOSPA Revenue Management courses. Due to popular demand we have an additional Revenue Management Level 1 group starting 27th July with enrolment open to mid-August with another intake available to join in mid-September for all three levels of the course. Contact us for more details on education@hospa.org

Can apps help hotels with social distancing?

Getting new processes right could be make or break for bookings, as many turn to smartphone apps for the answers, what should hoteliers be looking for when they choose an app?

Personal distancing measures are starting to ease but we won't return to 'normal' soon. Hotels need to create new personally distant processes to give guests the confidence to book. The ability to replace close contact with mobile experiences has become, literally, a hygiene factor.

Hotel guest apps have huge potential to deliver these new processes. Nobody wants a guest arriving at their hotel to have to queue outside behind tatty rows of tape. It just doesn't fit with an experience any hotel wants to deliver.

Guest apps, when created thoughtfully, bring long term benefits in terms of profits and loyalty as well as making personal distancing processes easier and on brand.

When properly integrated with wider hotel systems, the best guest apps create a new private channel - away from the prying eyes of OTAs and Google - offering attractive 1-2-1 rates at a significantly lower cost per booking for the hotel. There's no doubt that implementing an app should be in every hotelier's roadmap but now there is an even more pressing need that could be addressed elegantly with a guest app.

We are all used to using smartphone apps for almost everything but the hotel sector has been relatively slow to adopt them. Where they exist, guest apps are often little more than glorified guest directories. So, what does an app need to fully support personal distancing and deliver the longer term benefits?

As a minimum an app should include mobile check-in and check-out, ID verification, digital room keys, invoicing, and the ability to order food and beverages.

No need for queues with mobile check-in

App-based check-in reduces the number of guests in busy areas. It's something Radisson is rolling out this month. Its CEO believes it 'could' become commonplace and is predicting the end of traditional check-in. It frees your staff up from the front desk, reduces risks for everyone and provides a smooth first impression of your hotel.

ID verification must go hand-in-hand with mobile check-in

An online verification process is a must. There's no advantage to online check-in if guests have to visit reception to present their passport. Hotel technology firm Noetic has fast tracked the development of this feature in its app to create an end-to-end checking-in process that doesn't require the guest to visit reception at all.

One less thing to sanitise: digital keys

Already being adopted by industry leaders including Hilton digital keys replace plastic card keys (which need to be cleaned and require a visit to the reception). Checking-in activates the guest's phone as a digital key. Guest apps can also be used to collect lock status data so staff only need to visit rooms to maintain locks when needed, leading to cost and efficiency benefits.

Take food and beverage online

With social distancing, restaurants will have reduced capacity and queuing at buffets can't happen. Ordering via an

app supports revenue generation despite the reduction in capacity. Guests can use the app to order room service or book a table, which will help hotels manage their reduced capacity more effectively. Yes! Hotels are already using its app to share menus and offer room service.

Reducing trips to reception with mobile check-out & invoicing

Accessing invoices on-demand and check-out via an app means no trip to reception at the end of your stay. Getting invoicing right is an important part of delivering a frictionless experience for guests. It can be used to streamline the expense processes for business travellers by sending invoices to the booker as well as the guest. A number of apps are set up to deliver this functionality.

Longer term benefits

Guest apps bring other benefits too. They can be a key tool in getting customers to book via lower cost direct channels. A few apps include a booking engine inside the app, where bookings can be serviced at even lower cost than on a typical website.

"The best app is one in which the guest can do everything they want, where they can see and book within the app, private rates and offers that you don't want the public (or OTAs). If it doesn't do all that, then you'll be looking for a new guest app sooner than you think" says Stephen Barr, Chief Insight Officer and Co-Founder at Noetic.

Those who use this time to invest in apps will not only make personal distancing easier but will also be able to use this technology to reduce cost per sale and build long term relationships with high lifetime value customers into the future.

Building resilience in uncertain times in hospitality

Hurricane Katrina, 9/11, climate change, COVID-19. From global pandemics to rising seas and terrorist attacks, tourism destinations and properties are highly vulnerable to uncertainties that can rock the world on a dime.

Since mega-disruptions are increasingly frequent and unanticipated, hospitality businesses would do well to prepare for the worst with a comprehensive plan that details an immediate response to a crisis as well as addresses potential long-term challenges and plans. This way, whatever the crisis, the plans for addressing it in the moment and rebuilding later are solidly in place, even if those require flexibility and adaptability. As the famous Scottish proverb says: The best laid plans of mice and men often go awry.

What do the experts recommend? Here are five steps for assessing and developing resiliency in an uncertain future.

1. Assess vulnerability

Risks generally fall into two buckets: direct and indirect damages. Direct losses are caused by damage to buildings, equipment and services, while indirect losses are linked to reputational and brand risks, which can be ten times higher than direct losses. Although the hospitality industry hasn't yet developed a sector-wide vulnerability index that would measure risk exposure, the authors of EHL's 'Lausanne Report', which provides an overview of trends shaping the hospitality industry, recommend taking into account people, business, technology and environmental risks when assessing vulnerability. According to the report, "Among the most dangerous threats to the sector are environmental changes and

catastrophes. While terrorism may pose a risk in some destinations more than others, cyber-attacks present a significant risk to the sector overall."

In 2018, when Marriott International inadvertently exposed the personal information of 500 million customers in 2018, for example, not only did the event pose enormous potential brand damage, but businesses responsible for breaches faced liability claims for failure to protect data. The key is to make sure that your property's insurance policy is comprehensive and up to date.

2. Develop an emergency plan

Whether it's a fire, a terrorist attack or a disease outbreak, the first order of business is ensuring the safety of your guests. That's why it's essential to frequently hold emergency drills and ensure that staff knows the safety protocols and equipment is well maintained. Do you have a plan in place to move guests to safe rooms on the property? What if they need to be suddenly evacuated due to a fire or hurricane? Have you established plans with partner hotels? As Will Brown Head of Enterprise Resilience for the Middle East Region at PWC advised in the piece 'Building Resilience & Continuity in the Hospitality Industry':

"If you have to send your guests to a competitor hotel, they may find they like their temporary quarters better than yours and you could lose them in the long term. So the best approach is to have an active network within your own group

of hotels (if you're part of one), and a resilient booking system that is robust and provides real time availability across your group." In other words, don't address one risk by exposing another.

3. Prepare to function off the grid

How will you function if a crippling ice storm or devastating hurricane were to knock down power lines and access to the outside world? While you may have backup systems and emergency generators in place, one of the biggest mistakes according to experts is that owners fail to test and maintain them regularly.

A fully-charged and spare external mobile phone bank and phone battery for mobile phones is a good idea. Don't overlook the obvious – the same precautions you would take to protect your home – keeping a stock of candles, heavy-duty batteries and flashlights, and keep at least one landline connection. Do you know what you'd do if guests were to become trapped in elevators due to power outages? How will you prevent and deal with food spoilage? It's not only essential that you think through these eventualities, but conduct regular and ongoing training for staff and perform emergency practice drills to reduce chaos during an outage.

4. Communicate in a crisis

After ensuring the safety of all guests and staff, communication is the number

one priority in any crisis – both for safety and because it inspires confidence. Communicate clearly and regularly with guests, relevant authorities, and with your head office. If possible, use your customer service centre, which may be able to help with relocation and communication with guests, even after they've been moved to a new location. If the incident has hit the media and concerned relatives start calling, you'll need a central point of contact. To avoid conflicting information, make sure you have designated spokespeople to represent your hotel in case of an emergency. In all crisis communications, honesty and transparency are key. Hold regular meetings with law enforcement and emergency services in your area to keep the lines of communication open, and keep your staff regularly updated. In terms of communication with guests and potential guests, Dr. Laura Zizka, Assistant Professor at EHL, emphasizes that:

“A clear personalised and reassuring

message from the owners of your establishment is essential. While you shouldn't make any definitive statements around issues that are still unclear, do keep clients abreast of any efforts you're making, either currently or are planning to make in the future.”

5. A graceful comeback

If an unfortunate event has taken its toll on your operations or reputation, planning for recovery is essential. Some tips for a return to business-as-usual:

Messages must be authentic and describe new measures that have been put into place to ensure the safety and security of all hospitality stakeholders.

waive your cancellation fee policies and ensure guests they can book without concerns over possible penalties; prepare promotional messaging that is timely and forward-looking; keep in touch with your clientele on social media to keep them apprised of your plans for the future. It's important to maintain engagement and keep the conversation going.

In terms of COVID-19 specifically, Dr. Zizka warns of “COVID-washing”, which like green-washing, is misleading and can ultimately damage an establishment's reputation.

“If a company discusses hygiene practices that were already in place before the coronavirus and positions them as something new, this will only raise scepticism on the part of clientele. Messages must be authentic and describe new measures that have been put into place to ensure the safety and security of all hospitality stakeholders.”

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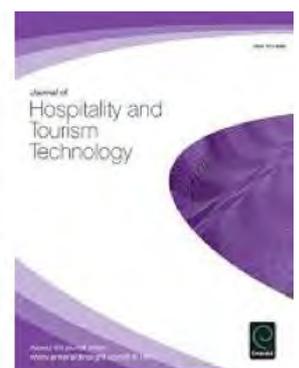
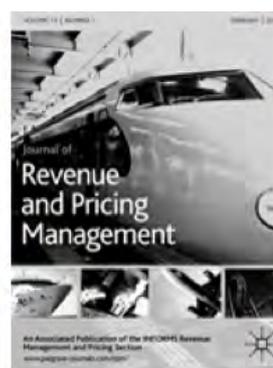
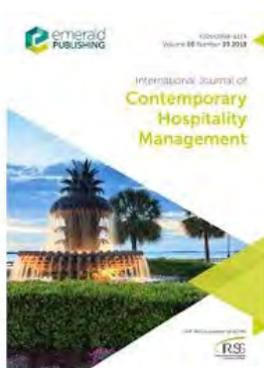
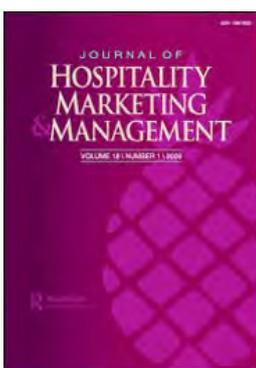


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Is your digital network future proof?

It's time for the hospitality sector to learn from the COVID crisis before it's too late, says Bim Jinadasa MIH

With lockdown measures finally easing, now is the perfect time to give your digital networks a thorough coronavirus health check. Think of it as your chance to learn from the COVID-19 crisis and create a master plan for what could be tough months ahead.

Your ideal COVID continuity plan should be built around the need to guarantee future core operations in the event of a feared second wave and also the urgent job of protecting networks, customers and staff from infection – both viral and cyber.

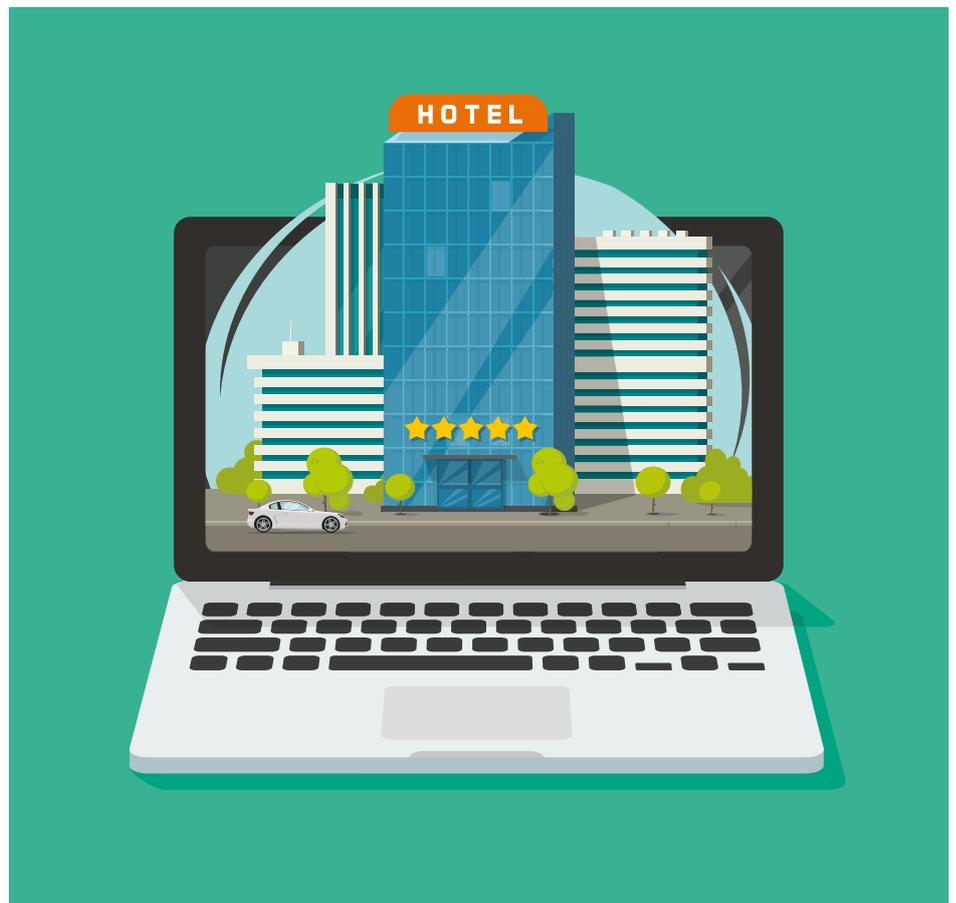
My conversations with hospitality firms show that many companies are already preparing their plans, but it should really be a case of sooner rather than later. Here are the critical areas I recommend you address in your network health check;

1. Consolidate network changes made on the fly

When the pandemic first hit, and head office core functions were suddenly forced to work from home, the initial IT response was often more 'quick and dirty' than 'market leading'.

Some employees may have already been set up for home working, but the wholesale switch put a massive strain on networks and their administrators.

Quite often this switch was done on the fly, with the focus quite rightly on business continuity first, rather than best practice. With fresh COVID-19 outbreaks recently reported in Wales, Germany and South Korea it would be short-sighted to ignore the very real possibility of a second lockdown. The difference this time is that the hospitality sector has a chance to build in the kind of network agility that enables all head office staff to switch



between home and office working when necessary - at the drop of a hat.

2. Switch to digital telephony for speed and instant scalability

Perhaps the minimum level of remote working connectivity is the ability to transfer work phone calls to either your employee's mobile phone or home landline. Modern telephony systems can do this and much more, ensuring important calls get through to the right

people every time - no matter where or when they are working. I don't know about you, but the inability to talk to a human in times of crisis makes the situation feel worse.

Digital telephony systems can cater for any size of hospitality business, from 20 to 2,000 lines. They can also be scaled up and down at the press of a button – perfect if a workforce has to shift to home working overnight. No extra hardware or third-party systems are necessary and the whole package can be delivered and managed for you, if desired.

3. Make sure your network is 'work-from-home safe'

After months of working from home, your head-office employees may now all be online, but is your network safe? Cyber criminals are notorious for exploiting human as well as network weaknesses, and you can bet they won't call a ceasefire during the pandemic.

If they're not phishing for log-in credentials, they're using the cover of public holidays and office downtime to attack companies. For example, the Travelex hack, which put the currency trading firm offline for weeks, costing millions, was launched on New Year's Eve to exploit employee holidays. Similar challenges around COVID-19 offer a potential treasure trove of opportunities for criminals.

So, how should hospitality firms address the threats raised by an increase in home working?

The first question organisations need to ask themselves is whether their employees are using their personal devices to log on, view and store company data.

A VPN and firewall will go a long way towards preventing a hack or malware infection of your network, but a privately-owned laptop is still a big risk if the user is viewing sensitive data.

Assuming your network already has a high-level of cyber security, the next step for any hospitality firm should be penetration testing every time a significant change is made to the network.

While a regime of quarterly vulnerability assessments are beneficial, a full penetration test is best practice following any major network change, with a Qualified Security Assessor (QSA) able to highlight network weaknesses and potential back doors.

4. Get smart and adopt a layered approach to network security

The belt-and-braces solution to securing your hospitality network during the 'new normal' involves real-time visibility of all activity on your network. You can do this by installing a Security Information and Event Management (SIEM) solution which collects, analyses and logs activity across your entire IT infrastructure. A

SIEM solution collects activity data from a wide range of sources including network devices, servers and domain controllers, to name but a few. It can detect attacks missed by enterprise security systems, help with compliance and make a wide range of data available on one dashboard.

A natural extension to SIEM is a full User and Entity Behaviour Analytics (UEBA) solution. Rather than focusing on devices on your network, this analyses who is responsible for the activity and whether their behaviour is risky.

For example, if the log-in credentials belonging to your Manchester-based finance director are suddenly used on device in Nicaragua the system will sound the alarm and deny access. Similarly, if a junior member of your legal team attempts a bulk download of personnel files, UEBA will flag it up and slam the door shut until administrators sound the all-clear.

5. Upgrade Wi-Fi to protect your staff and customers from infection

Your digital networks also have a critical role to play supporting front-line operations and preventing human infection. In addition to using app ordering and contactless payment which Wi-Fi can support, hospitality firms are now required to capture the contact details of your customers to support Track and Trace.

By implementing a Wi-Fi overlay solution, you can capture the contact details of your customers before they

The question is whether your on-premise Wi-Fi networks are strong and reliable enough to cover all of your estate, delivering the kinds of experiences your customers expect. Can you offer your customers Wi-Fi-powered mobile ordering and mobile point of sale or will they be forced to endure long waits and socially distanced queues?

enter your venue, using the Guest WiFi authentication process. When visitors are advised to connect to Wi-Fi, they can be presented with a Track & Trace registration page where they submit their contact information, ensuring that you capture all the relevant details required by government guidelines.

On completion of the log-in process, the visitor can be immediately sent an email with a code that is used to confirm their registration. This message can then be shown to staff on the door to allow access.

The question is whether your on-premise Wi-Fi networks are strong and reliable enough to cover all of your estate, delivering the kinds of experiences your customers expect. Can you offer your customers Wi-Fi-powered mobile ordering and mobile point of sale or will they be forced to endure long waits and socially distanced queues? Overnight, Wi-Fi has been transformed from a 'nice-to-have' to a health and safety 'must-have' by COVID-19.

6. Don't overlook GDPR compliance...the sting in COVID's tail

In addition to capturing the details of all customers, as part of the government's efforts to track and trace infected people, hospitality firms now also have to retain those records for a minimum of 21 days.

This clearly adds a new GDPR burden on hospitality firms. A Wi-Fi overlay solution, as described above, may already be GDPR compliant, but otherwise, the processes around customer data capture and retention should be reviewed to ensure GDPR compliance. Many companies may not feel confident enough to shoulder this burden alone - and luckily, they don't need to. Third parties, including Vodat, now offer a GDPR consultancy service featuring an initial GDPR review, an employee training package and even a Data Protection Officer as a Service.

The fact that the hospitality sector (along with the rest of the economy) was blind-sided by the first coronavirus wave is entirely understandable. Now, however, as well as putting in place systems to enable secure re-openings, we all know what we face should a second wave strike an already damaged hospitality sector. Hopefully all our best laid plans will never be used.



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How can hoteliers attract demand during reopening?

As places in Europe began to open their doors, the world turned to the UK and Ireland. With cities like London typically topping the list for top European destinations, hospitality professionals waited for the green light that they too could begin welcoming guests.

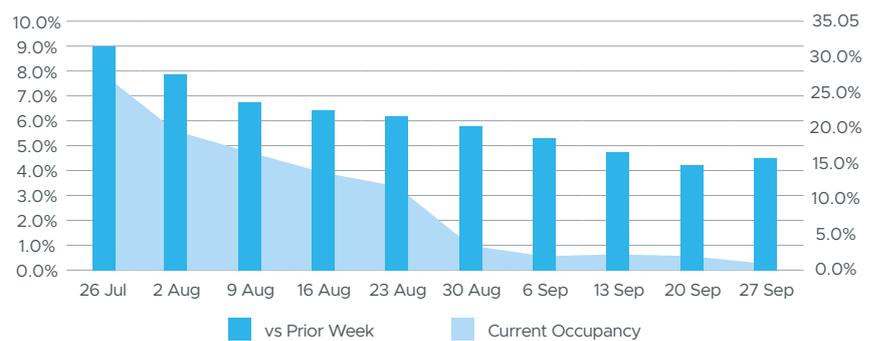
The good news? Since the announcement that hotels could reopen at the end of June in Ireland, and on the 4th of July in England, travellers have wasted no time booking their summer holidays. Drawing from Amadeus' Demand360® forward-looking demand data, we have seen an increase in the number of hotel reservations on the books in the first week of July.

Looking ahead, keep an eye on your rates

When we look at the increase in travel demand, hotel reservations are returning faster than flight bookings. As expected, this confirms that domestic, leisure travel will begin to recover first. Fortunately, over the past few years, the UK has increasingly been known as a staycation nation with holidaymakers foregoing trips abroad in favour of exploring destinations closer to home. Though this will certainly help hoteliers, domestic demand will still be reduced due to ongoing anxiety from consumers when it comes to travel. What can hoteliers do to manage this?

The first rule of revenue management tells us not to lower prices drastically as it will cause guests to expect these rates when booking again in the future. In a COVID-19 world, price is no longer the most important factor. Instead, 72% of Brits said that they will first look at a hotel's health and safety protocols before booking (Accor, 2020). In order to attract demand,

UK and Ireland Current Occupancy by Week vs Prior Week

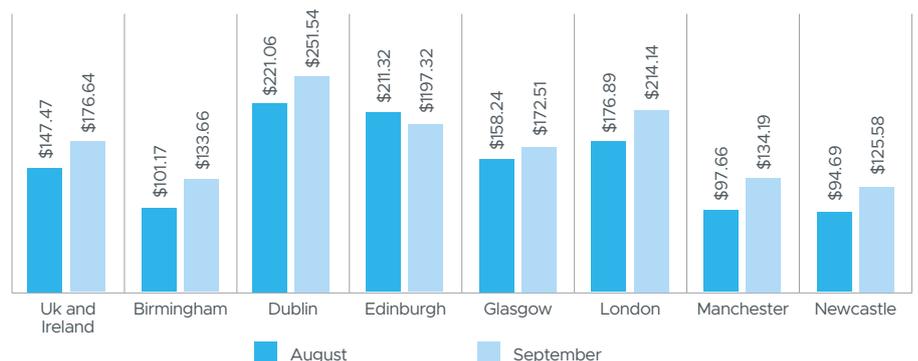


hoteliers need to ensure that they are clearly communicating and demonstrating these hygiene measures. Our data suggests that current Average Daily Rates (ADR) have dropped compared with last year across major cities. These rates are expected to rise again as we head further into the summer, with notable increases in August for Dublin and Edinburgh. Hoteliers should seek to maintain these higher rates and focus on satisfying guest needs

through a commitment to customer safety.

The process for reopening is not straightforward for anyone, and we all know that recovery will not happen overnight. In order to support you through these uncertain times, Amadeus has developed a dedicated Recovery Hub, with complimentary materials available to guide all parts of your business: <https://www.amadeus-hospitality.com/crisis-management-resources/>

ADR (USD)



VAT cut: not as clear as it appears

The Chancellor's Summer Economic Statement delivered on 8 July included various measures to support hospitality and leisure businesses during the coronavirus emergency. They included a targeted temporary VAT cut for supplies of hospitality, hotel accommodation and admission to attractions.

From 15 July 2020 to 12 January 2021 a wide range of supplies, which are normally subject to VAT at the standard rate of 20 per cent, will be eligible for the reduced VAT rate of 5 per cent.

HMRC has now published legislation and detailed guidance on how the reduced rate will apply to businesses operating in these sectors. Restaurants and similar food outlets will also have to consider the VAT implications of the government's 'Eat Out to Help Out' discount scheme which will apply to certain eat-in meals during August 2020.

The guidance highlights important points for the various types of businesses that are eligible to apply the reduced rate to their supplies and avail themselves of the discount scheme. However, adding a reduced rate and a discount scheme into these already complex areas of VAT has raised many questions which have not been directly addressed by HMRC. Businesses should carefully consider the impact of these measures on their activities. Operators will have to work

The 'Eat Out to Help Out' discount scheme has been introduced by the government to encourage people to return to eating out in restaurants, cafés, pubs, and similar food service establishments.

out which rate to apply to supplies that straddle the rate change dates at the start and end of the period and the overall effect of the changes on their accounting systems.

Restaurants, pubs, bars, cafes and hot takeaway food outlets

The 5 per cent reduced rate of VAT will apply to food and non-alcoholic drinks sold for on premises consumption in restaurants, pubs, bars, and cafés. It will also apply to hot takeaway food and hot takeaway non-alcoholic beverages for consumption off the premises.

However, there are some areas which are likely to cause confusion for the hot food sector.

- It appears that cold drinks, such as canned soft drinks, sold for takeaway will not be covered by the reduced rate. Takeaway businesses will need to identify sales of these items separately.
- The guidance states that catering contracts, which appears to refer to buffets or meals for meetings and private events held off premises, will not be eligible for the reduced rate and remain subject to VAT at 20 per cent.
- HMRC has reduced the percentages used in the Flat Rate Scheme in line with the temporarily reduced rate. The existing rates for the following categories have been updated as follows:
 - Catering services, including restaurants and takeaways = revised to 4.5% (from 12.5%)
 - Hotel or accommodation = revised

to 0% (from 10.5%)

- Pubs = revised to 1% (was 6.5%)
- HMRC has not so far created any new categories, e.g. to differentiate between outlets that serve only food and non-alcoholic drinks (eligible for the reduced rate) and those that also serve alcohol, which is still subject to VAT at 20 per cent.

The 'Eat Out to Help Out' scheme

The 'Eat Out to Help Out' discount scheme has been introduced by the government to encourage people to return to eating out in restaurants, cafés, pubs, and similar food service establishments. Restaurants and cafes within hotels, tourist attractions and holiday parks are also included, as are workplace and school canteens and dining rooms at members clubs. However, the scheme does not apply to takeaway food or catering for private parties, events or functions.

Diners will be entitled to a 50 per cent discount of up to £10 per head on any eat-in meal (including on non-alcoholic drinks) purchased at a participating venue on a Monday, Tuesday or Wednesday during August 2020. Service charges and alcoholic drinks are not included in the amount eligible for the discount.

Businesses will be reimbursed by the government through an online scheme, which opens for registration on 13 July. More information is available on the gov.uk website here: Register your establishment for the Eat Out to Help Out Scheme HMRC will open its online portal

for reimbursement claims on 7 August, and says it will pay eligible claims within 5 working days. Businesses can submit claims on a weekly basis.

HMRC says that the maximum discount value of £10 per diner is inclusive of VAT and that businesses must still pay VAT based on the full amount of the customer's bills. Its guidance includes examples of bills which indicate that the supplier will be required to account for VAT (at potentially different VAT rates) on the full, pre-discount value of the customer's bill, and not on the discounted amount that they will receive in payment from the customer.

Pubs and restaurants will need to carefully consider how to reconfigure their till systems to ensure that they account for VAT correctly. The VAT position is likely to be even more complex for those who offer multibuy deals including meals and alcohol, and larger pubs who must perform partial exemption calculations as a result of VAT exempt income from gaming machines.

Admissions to attractions

The temporary reduced rate will apply to admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities. HMRC's latest guidance adds botanical gardens, planetariums and studio and factory tours as examples of attractions to which the reduced VAT rate for admission fees may apply.

However, the reduced rate does not apply to admissions to sporting events. Also, not for profit organisations and public bodies running attractions and events that qualify for the 'cultural services' VAT exemption must apply the exemption, rather than the reduced rate.

Where an admission fee includes other items, such as samples of drinks as part of a tour of a brewery or distillery, or a brochure included in the admission fee for an exhibition, HMRC says the whole supply is eligible for the reduced rate provided the additional items are incidental to the admission.

Organisations that charge admission fees to view an online live performance may also be eligible for the reduced rate and reminds promoters that fees charged to non-EU customers may be outside the



scope of VAT altogether.

Venues and attractions that include cafes or restaurants may also sign up for the government's Eat In To Help Out discount scheme mentioned above.

Hotels and travel businesses

For the travel sector, the reduced rate applies to supplies of sleeping accommodation in hotels, B&Bs, campsites and caravan sites. Hotel restaurants are also included in the Eat Out to Help Out discount scheme but room service and catering for private functions are not.

Hotels and holiday businesses who have already accounted for VAT at 20 per cent on advance bookings for stays between 15 July 2020 to 12 January 2021 have the option of applying the 5 per cent rate and issuing a credit note to the customer to refund the overpaid VAT.

For tour operators, the temporary reduced rate for supplies of hotel

accommodation, catering and shows and similar attractions will have an effect on their Tour Operators Margin Scheme (TOMS) calculation.

The reduced rate does not apply to the margin calculated under TOMS, so margin scheme supplies remain taxable at either standard rate or zero-rate. However, in house supplies, which are excluded from TOMS will be subject to the temporary reduced rate. Bought in supplies, e.g. from hotels, shows and tourist attractions will also be subject to the reduced rate. This is not recoverable as input tax and it will reduce the cost applied to the margin, thereby increasing the margin and the amount of VAT payable to HMRC. HMRC has updated the Market value and Cost based calculation formulae in its public notice to take account of this.

If you would like assistance with applying the temporary reduced rate of VAT in your hospitality or leisure business, please contact Audrey Fearing (Audrey.Fearing@rsmuk.com).

Hospitality loses £30bn of sales in the second quarter of 2020

New Quarterly Tracker from UKHospitality and CGA highlights the devastating impact of COVID-19 and lockdown and the urgent need for extended support

The UK's hospitality sector saw sales plummet 87% in the second quarter of 2020, the latest UKHospitality Tracker collated by CGA reveals—equivalent to nearly £30bn in lost revenue.

The catastrophic collapse in sales followed the widespread lockdown of restaurants, pubs, bars, hotels, attractions and other hospitality venues from mid-March. As a result, sales from April and June totalled just £4.6bn, down by £29.6bn from £34.2bn in the second quarter of 2019.

The UKH Tracker combines data from all segments of hospitality, and its data confirms the enormous and disproportionate impact of lockdown on the industry. Hospitality contributed £133.5bn to the UK economy in 2019, following 3.9% growth—but the rolling annual value of the sector has now dipped below £100bn, with 12-month sales to the end of June totalling £97.2bn. The cliff-edge drop signals the pressing need for extensive and sustained support over the rest of 2020 and beyond.

Kate Nicholls, CEO of UKHospitality,

Hospitality was one of the first sectors to go into full-on lockdown and one of the last to come out, and the result was a virtual wipeout of sales in the second quarter.



said: “These latest figures highlight how precarious the present situation is. While it’s great that some businesses are trading again, for many opening their doors remains unviable, while some parts of hospitality are still legally required to stay closed. We are only on the very first steps in a long recovery. These figures substantiate our message that businesses still need support from Government, if we want to avoid more business failures and job losses.”

Phil Tate, Group CEO of CGA, said: “Our Tracker data is the clearest picture yet of the calamitous impact of the pandemic on hospitality. Hospitality was one of the first sectors to go into full-on lockdown and one of the last to come

out, and the result was a virtual wipeout of sales in the second quarter. This is a resilient and dynamic industry, and its reopening in July has given the whole country a lift, but COVID-19 has brought unprecedented and existential challenges. Hospitality needs and deserves the support of the Government and public as it begins the long road to recovery.”

The UKHospitality Quarterly Tracker is compiled by CGA and based on its Trading Index and OPM data on food and drink sales across the on-trade. It is combined with hotel data supplied by STR, fast food market data supplied by NPD Group’s Crest Panel and direct company contributions, and is complemented with ONS statistics.

Pubs lead recovery in openings and drinks sales

Half of the on-trade is now open and trading, with pubs so far faring better than restaurants across reopening, footfall and sales metrics.

Those are among the top insights from CGA's suite of research sources after two full weeks of post-lockdown operations in England and the first few days of reopenings in Scotland and Wales. CGA's Outlet Index data to 18 July indicates that 51% of all licensed premises in Britain had reopened, with numbers higher in the managed (60%) and leased and tenanted sectors (62%) than the free (45%) segment.

So far, pubs have spearheaded the relaunch of the on-trade: nearly two thirds (64%) of those that closed in March are now open again, compared to around two in five restaurants (42%) and bars (41%). The pace of openings has been slightly

slower in London, where just under half (48%) of sites are trading.

Reopenings have helped to encourage more visits to town and city centres. Wireless Social's sample of more than 1,000 locations shows that weekly footfall to Saturday (18 July) was 59% of the weekly average in February, the last full month before lockdown. That is four percentage points better than the previous seven days, and the highest point since mid-March, when the lockdown came into full effect.

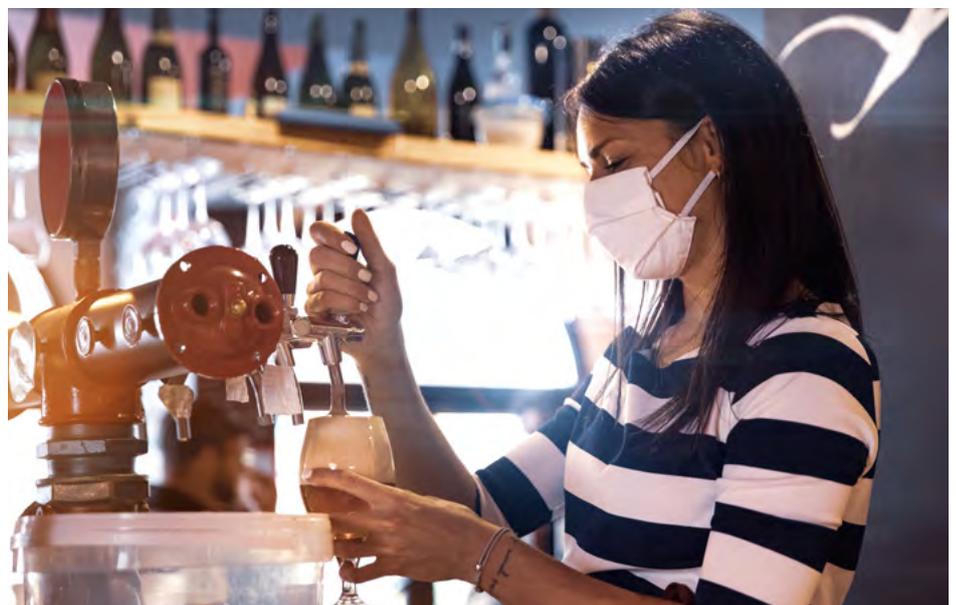
Footfall has increased across all dayparts, and has recovered faster than average in evening periods. However, large city centres are still lagging behind the countrywide average, indicating the lingering reluctance of consumers to visit very crowded spaces and take public

transport—and clearly the figures are well below levels that might be expected at this time of year.

Increased visits have translated into increased sales. CGA's Drinks Recovery Tracker data for the week to last Saturday (18 July) shows that weekly sales by value were 42.6% down on the same week in 2019, though this represents an improvement of three percentage points on the 45.5% drop the previous week.

Beer and cider (down 29.5%) has performed significantly better than spirits (down 57.0%) and wine (down 66.2%), and its popularity means that pubs are recovering their drinks sales faster than restaurants and bars. Sunday was the strongest day of the week, and Wednesday, Thursday and Friday drinks sales were all up week-on-week.

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Upcoming Events

COVID-19 UPDATE

Due to the Covid-19 HOSPA live events have temporarily been postponed. We may still be able to run Innovations In Technology - Hosted by HOSPA and HMA - on 15th September. HOSPACE on 19th November will run as a live and virtual conference. Stay safe until we meet again and in the meantime, keep up to date on events affecting the sector with our blog.



Innovations In Technology

Central London / On Line Event
6.30 - 8.30pm

HOSPA and the HMA associations are delighted to host a joint members Networking event themed Innovations in Technology. The event will take place in Central London subject to Covid-19 restrictions. Further details to follow.



Annual Hotel Conference

The AHC Reimagined will be a high quality virtual production, created in a professional broadcast studio with outstanding audio/visual equipment. Speakers will present from the studio and sponsors will have proper visibility and engagement through video content and lead generation.

HOSPACE

The Hybrid Edition

Live & Virtual Conference

Thursday 19th November 2020

HOSPA wants to support the industry as much as we can in these challenging times and feels strongly that HOSPACE should go ahead as planned on 19th November. Therefore we are delighted to announce that HOSPACE 2020 will be a 'Hybrid' live and virtual conference.

This means that we plan to run a reduced 'live' TV Studio type event with a socially distanced studio audience, while a simultaneous virtual event capturing the same content takes place online. We aim to run a similar programme to last years' event, including plenary sessions as usual, with presentations and panel discussions.

We will also run workshops with online break-outs for those attending both in-person and virtually. One of the core strengths of HOSPACE is the networking opportunities and we are looking at creative and new ways to facilitate as much interaction and networking as we possibly can, however you attend the event.

Further details will be released soon, but in the meantime please keep 19th November free.

HOSPA COVID-19 WEBINARS

To replay any or all of the recent webinars please go to the HOSPA website <https://www.hospa.org/webinars>. Each one has a summary with key timings so that you can jump to a relevant section if you do not have time to play the full 60 minutes. Feedback from our recent online LinkedIn and Twitter polls suggested that our weekly webinars were

highly valued while we were not able to operate hospitality businesses normally. We are now stopping the regular weekly webinars, however we are not abandoning them altogether! We will continue to offer webinars - but on a more ad-hoc basis. Keep your eye on the events section of the website and the HOSPA group on LinkedIn for regular updates.

Please visit www.hospa.org for all registration details and all other events.

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Save the date

HOSPSPACE

The Hybrid Edition
Live & Virtual Conference

Thursday 19th November 2020

Further details to follow

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