

BAHA Conference and Exhibition, 19 November 2009

Key Thoughts and Predictions

Bob Cotton, Chief Executive of BAHA, summarised the current situation for the trade as follows;

Location is key to success. Hotels in Central London are faring well due to steady overseas and domestic visitor numbers. The London 'fringe' areas – Croyden, Bromley, Ealing, London airports – are not so successful, the latter due to airlines cutting capacity. Regional cities have been hit by the fall in corporate business and weekend leisure trade. Rural and regional hotels have benefited from the 'staycation' effect.

Continued investment in staff and marketing is vital. Although the conventional response is to avoid refurbishments, reduce staff training and skills development, and cut back on marketing, the recommendations are to keep the product fresh, make sure staff are continually trained and that the property is marketed well.

Recommendations for immediate action

1. Focus on **busy** times, not quiet times. It's easier to generate extra revenue in busy times.
2. Loyal customers are the most important customers. It's easier to get them to spend a bit more.
3. Reduce costs, but remove from back office, **not** front. The skills of your people will get you through.

The Future. Hotels have done reasonably well in past year compared with other sectors. This can't last and hospitality may have reality check in next 12 months:

- VAT going up
- Personal tax increases and pensions changes will squeeze spending
- Business rates going up
- General election – world will change. Local authorities will probably cut spend on tourist facilities. Public sector spending on hotels will reduce.

What does this mean?

- Primary customer will be the leisure customer, not the corporate customer. Leisure customers want good value and good service (different approach)
- If a Conservative government is elected regional development agencies will go, **but** they have promised a dedicated tourism minister...

If you are the best in class, town, grade, then you have a great future!

Alan Burns, VP Finance, Hotels.com Worldwide, outlined some trends in the global hotel industry;

Customer confidence was at an all time low in 2009, has improved a little but remains weak compared with historical trends. A weak recovery is anticipated in 2010. During 2009 the significant weakening of sterling against \$ and € impacted on overseas travel and improved domestic business. Airline seat capacity is down an average of 5% in Europe and US – hotel prices closely follow changes in seat capacity. According to HPI, hotel prices fell 17% in first six months of 2009. Prices now at level of Jan 2004. In Europe, prices are down 16% year on year.

Tip - the 'est' factor is significant for marketing: largest, tallest, eco-friendliest, priciest, oldest....

Panel Forum: Green and CSR Impact

The discussion revolved around the fact that many environmental concerns could be dealt with by good cost-saving, operational practice. If hotels were more innovative in their capital investments, looking at extended payback periods and the value to their brands, green and CSR concerns could be addressed. Regulations will impact on hotel operations – e.g. waste will be charged an extra £8 per tonne per year – and energy and utility usage will be increasingly heavily regulated. Management accounts will need to track consumption, not just costs, and the IT function would need to be able to embrace utility management.

Consumers and employees will expect hotels to be green and have a CSR policy, so boards must ensure CSR is embedded in company culture, and is **NOT** an add-on.

Recommendation: Identify three or four key things. Assess impact on business. Get on and manage it!

Panel Forum: Revenue Trends – when will revenue return - and how will new Revenue Management skills make a difference when it does?

Revenue management was born out of airline experience and didn't exist in hotels 15 years ago. The Revenue Manager is now at the forefront of decision-making, although some chains still don't employ a revenue management toolset. It's important to recognise that revenue doesn't just come from rooms and look at the complete product/service package

What are the trends in revenue and the way we manage revenue?

Hotels revenue has been nowhere near as bad as anticipated and it is hoped that this will be true in 2010 too. It is however very difficult to resist the downward trend where hotel chains are using price as a lever. It's important to be able to predict how guest behaviour will change e.g. core trading has been down this year – this will take time to reverse.

It's a complex industry; there is a shortage of good staff – a skills gap. Outsourcing is not a long-term solution; it's much better to do it in-house. Succession planning is key – train your future revenue managers.

Conclusion - ultimately revenue management is not about a fancy management toolkit. It's still all about the customer experience, getting people to come back.