

Conference Opening

Chris Upton welcomed everyone to the conference, and thanked the Sofitel team for their hard work supporting the event. Jane Pendlebury said she was thrilled to be the CEO. That year, HOSPA had signed a marketing agreement with HME, which represented a new community to embrace. She explained that the new membership system that had been implemented would allow them to offer members a more personalised service. Funding they had secured from the Savoy Educational Trust had allowed them to update their revenue management course. Jane Pendlebury said that she was eager to work more with other industry bodies, as they all had similar goals.

Jane Pendlebury outlined that in 2017 they were aiming to build on the progress they had made to enhance the membership experience. Social and economic events such as Brexit or the threat of terrorism added additional pressures to hoteliers in terms of revenue management. She emphasised the need for quality data, and systems that would allow them to exploit that data to build loyalty and fill demand. She hoped that the exhibitors and sponsors would have some answers. Jane thanked all the sponsors, exhibitors and attendees for coming, and welcomed Peter Hancock to the stage. Peter Hancock thanked and welcomed everyone, and said he was delighted to have been asked to host the event.

Attracting and Retaining Talent

Jane Sunley said she was delighted to be chairing the first session. She said she was pleased that a people-focused session was first on the programme for the day, as it reflected the importance of the issue. Jane Sunley remarked that having the right people in a business was key for the bottom line. Jane invited the panellists to introduce themselves.

Jessica Kramer said that she was the VP for Business Development at ALICE, a platform designed to help connect hotel staff and customers. Anne Davey said she was the Group HR Director for Arora Hotels. She had previously worked for Marriot and Holiday Inn. Sally Beck, General Manager of the Lancaster, said that they were two and a half years into a three and a half year £80 million refurbishment of the hotel. During her time with the business they had entered the Time Top 100 Companies to work for, and won six Katy Awards. Stephen Cassidy introduced himself as a Senior VP and MD with Hilton UK and Ireland, and said he was also on the board of the British Hospitality Association. The focus on people was a subject close to his heart.

Stephen Cassidy said that in recent years businesses had reappraised the importance of people, which was important as hospitality was a very people centric industry. He felt it was critical that the industry focused on creating great places for people to work.

Sally Beck said that it was her stated aim to run the happiest hotel in London. It was important for people to feel respected and empowered. She emphasised the importance of people believing they were responsible for their own happiness, and then constructing a work

environment in which that happiness could thrive. They had moved from having disciplinary meetings to mediations, as part of a programme to take fear out of every meeting. This had helped to build trust within the business, and foster open communication.

Jessica Kramer said that hotels were necessarily very siloed businesses, and that the aim of ALICE was to break down those silos with a platform that supported real time communication. Anne Davey said that across their four brands, whilst working within the missions and values of each, there was an aim to create an environment where the staff truly wanted to be. She felt that staff being relaxed was very important. Anne Davey believed that building a good culture was about 'action not words' and hotels needed to be doing more. It was a manager's job to keep staff happy, rather than the other way round.

Stephen Cassidy said he strongly believed that everyone deserved a great boss, and this meant that there needed to be an emphasis on attracting great leaders to the business. He noted that some workplaces had members of five different generations working in them, and that leaders needed to identify what each generation had in common. Hilton had been the fastest growing hospitality company in the world that year, and that they must be doing something right in terms of attracting talent, and having strong leadership. It had traditionally been a badge of honour to throw people in at the deep end, but that that was not the right approach.

Sally Beck spoke in favour of behavioural interviewing, and four, eight and 12 week reviews. Anne Davey said they had friend introduction programme in their recruitment which was good at promoting culture. She emphasised the importance of rewarding great employees, and creating a sense of shared ownership around the success of hotels.

Jane Sunley asked how the panel thought it best to make middle managers accountable for attracting, engaging and retaining people. Stephen Cassidy said it was important to set a tone and be clear what was expected. Hilton did global team member surveys, and general managers were paid on the basis of engagement scores.

Sally Beck said they had set up meeting where front line staff could meet the strategy team to talk about problems that were going wrong, with the larger problems then being referred to the management team. Anne Davey noted that they had seen success in rewarding people with events or trips when they were doing well, and that the focus was too often on when things went wrong, rather than when they went well. Jessica Kramer said it was important for front line staff to feel seen within a business, which could often be difficult.

Stephen Cassidy said that even bearing in mind that the point of businesses was ultimately to make money, improving the experience for team members was a key part of that, as it made it easier to deliver a great guest experience. Jessica Kramer pointed out that losing people and having to make new hires was expensive, so it made sense to focus on retention.

There was a question about what new finance tech the panel were investing in to support their finance teams. Sally Beck said they had brought in new automated purchasing software, and noted the importance of the finance team in the customer journey. Stephen Cassidy said they had done a lot of work with the finance team and trying to build the emphasis on adding value and feeling they were contributing to the whole team.

There was a question about how the panel planned to maintain and build quality in the face of rising costs, particularly the living wage. Sally Beck commented that it was not business as usual, and that they were in a 'perfect storm' of payroll costs. An important part of tackling

that was building a good culture for teams. Anne David said they were always keen to pay their staff above the living wage. They tried to build a culture that showed their staff how they could develop within the business.

There was a question about what could be done to stem turnover. Anne Davey said that at Arora they were able to offer people the opportunity to move between different brands. She added that they were always eager to advance people whenever possible, rather than saying that they had to stay at a certain level for a fixed period.

Sally Beck said that the Lancaster always let people know about development opportunities, and ran leadership training that had allowed them to go from a four star to a five star hotel. She added that it was important to understand that sometimes people had to leave for their own careers and that if the culture was strong enough they might come back.

Jane Sunley asked the panel for one thought each about Brexit. Sally Beck said that support from, and for, the BHA would be important during the transition period. Stephen Cassidy said he believed the industry would be fine, and noted that growth projections for the industry remained strong. He added that many of the things the panel had discussed would be key once to making sure the industry remained strong. Anne Davey said that she believed it was important to be more creative about important, and suggested that looking at reskilling programmes in low employment areas to fill personnel shortages with UK nationals would be a good idea. Jessica Kramer said she believed the travel industry had the greatest opportunity to expose people to different values and ways of thinking.

Jane thanked everyone for their time and insight.

The Consequences of Leaving the EU for the Hospitality Industry

Robert Barnard introduced himself as the head of hospitality consulting at BDO. Martine Ainsworth introduced herself as head of destination engagement at the European Tourism Association (ETOA), an association of hundreds of tour operators and suppliers. She explained ETOA's dual role both lobbying for the industry, and acting as a platform for groups to come together. Jeremy Robinson said he worked in European and Competition law, and specialised in regulated industries such as aviation, tourism and travel. Mark Essex said he was an associate director in the strategy group at KPMG. Mark said he had been considering Brexit related issues for several years, since it had become clear to KPMG that someone should be focusing on the issue full time.

Robert Barnard said that there was a large amount of uncertainty surrounding Brexit. He asked the panel what the biggest opportunities for their clients were at that time. Martine Ainsworth said that there were several things to consider. The first was the opportunity to take advantage of the UK being better value than before as a result of the devaluation of the pound. She did not believe that 'hard Brexit' would be the result of negotiations. Martine Ainsworth also stressed the importance of not becoming too fixated on Brexit, and said that issues around security and terrorism were a much larger concern for the hospitality industry.

Jeremy Robinson said it was important to understand that Brexit was not just a transport and hospitality issue. He said that it was an important test of how businesses took decisions in uncertain times; it could be tempting to take quick decisions in the face of disruptive events. He added that, given other global uncertainties in the form of security and terrorism issues, economic problems and the threat of pandemics, it was best not to see Brexit as an event in itself, but an intensifier of other factors. He suggested the same approach to the election of Donald Trump.

Mark Essex said there was a big opportunity from Brexit, in the way it would force boards to rethink strategies they had been using for 42 years. He believed that they would inevitably find things they could improve on. There would be opportunities to review business models, and rediscover competitive advantage. He added that the necessary adjustments for Brexit would give businesses good practice for similar adjustments they would have to make in due course due to challenges from automation and AI.

Mark Essex said that Brexit presented particular labour market challenges to the hospitality industry. Martine Ainsworth noted that politicians appeared less concerned with Brexit's impact on hospitality than on other industries, and said that hospitality had not been on a list of six industries that Prime Minister Theresa May had said she wanted to protect. Martine Ainsworth said there was a challenge for members of her organisation, as it was key to have people who understood cultures across Europe in their businesses.

Jeremy Robinson said it was important to be flexible, and reiterated the fear that politicians were not overly concerned with the hospitality industry. Jeremy Robinson said that even if one was hoping for a 'soft' Brexit, businesses would have to prepare for the worst. Mark Essex said that the potential for a Trump-led US to become more isolationist was a challenge that the UK and EU would have to be ready to face. He noted that if, for example, the Germans could not sell as many cars to the US, the UK would become more important.

Jeremy Robinson said that if the US decided to contribute less to NATO then EU governments would need to either spend more on defence or leave themselves more vulnerable. He said that Trump's election had long term implications that put the whole global economy in a risky position. Martine Ainsworth said that global threats were becoming the 'new normal', and it was possible that incidents such as 9/11 or disease outbreaks would come to have less of an effect on people's willingness to travel.

Someone asked if there was a risk that the UK would end up being 'made an example of' and treated unfavourably by EU negotiators during the Brexit process. Martine Ainsworth repeated her belief that the Government was not giving the hospitality industry the attention it deserved. Jeremy Robinson said that one area of single market access that was often neglected was traffic and aviation rights, and noted that if these were not renegotiated well it then regional airports could have to close. Given the complexities of transferring EU law in UK law, Jeremy Robinson believed that it was unlikely that an exit deal would be adequate to cover all issues.

Mark Essex noted that in the European press there was still talk of the UK getting a deal akin to those enjoyed by Norway or Switzerland. Mark Essex also suggested that it was not a certainty that EU negotiators would do much better than those from the UK, as there was a risk for them that they were 'stuck in a rut', and it was a new phenomenon for everyone involved. Jeremy Robinson said that Trump was generally seen as less antagonistic to the UK

than Obama had been, and that the UK might end up finding it easier to agree new deals with the US than the EU did.

A question was asked about whether the Brexit vote would have the effect of making the UK seem a less friendly place. Martine Ainsworth said that any new system that made entry to the country harder would have that effect, but noted the positive effects of programmes such as Sadiq Khan's 'London Is Open' initiative. Mark Essex said that having logistical problems on arrival in the UK had always seemed 'daft' to him, and that systemic change could provide opportunities to make the whole system of entry into the UK easier. Jeremy Robinson said he agreed with this, and that there was no need for the UK to become unwelcoming or more difficult to do business in.

Sustainability - The Importance of the World we Live in and Examples of Best Practice

Peter Ducker welcomed the panel. He said that as well as being an important issue for the planet, if a company did not have good corporate citizenship they would be on the back foot with all key stakeholders. Peter Ducker noted that many tenders had a requirement to pass sustainability tests. Shareholders were also becoming more interested in responsible stewardship. For these reasons, he stated that all businesses needed to increase their focus on issues of sustainability.

Catriona Reeby introduced herself as an environmental consultant from SE2, and said that her presentation was about giving a positive message. She said that in the 10 years since Al Gore had released *An Inconvenient Truth*, climate change had become a much more prominent issue, which was an important step. Climate change would have major social, political and economic impacts. These had already started with American insurance companies putting up premiums in places that had become more likely to flood. Catriona Reeby noted that climate change could also have a big impact on the hospitality industry. The UK hospitality industry spent £1.3 billion on energy each year, and generated 8 million tonnes of carbon.

The UK had established the world's first legally binding climate change target, committing to an 80% cut in greenhouse gases by 2050. The previous year energy generation from renewables had hit 25%. Given that, and the signing of the Paris agreement, it was an exciting time to be working on sustainability, though things could still be improved. Catriona Reeby said that SE2 had been working with businesses to develop corporate climate change strategies, and to help change business culture to engage people with the issues.

Catriona Reeby stated that leadership on the issue was critical, and noted that climate change was an opportunity to be ahead of the curve and to future proof one's business. It was important for management to lead by example to inspire and engage staff; this was not an issue that could simply be handed off to estate managers. She said it was important for businesses to make the environmentally conscious choices, especially on tenders that were only renewed every few years, so that sustainability could be embedded in business models. Peter Ducker asked how the hospitality industry compared to other industries on green issues. Catriona replied that all industries had people who were doing well and those who were doing less well.

Peter Ducker asked Ciaran Fahy, Chief Executive of Ellerman Investments Ltd, what challenges they faced at The Ritz, due to the iconic and historic status of the hotel. Ciaran Fahy commented that heritage was often used as an excuse for failure to act. They had previously lacked strategic direction. He noted that they had now replaced all of their lightbulbs with LEDs, which had only been possible due to recent improvements in the technology. Ciaran Fahy noted that smaller hotels were often sustainability leaders, and said that Raymond Blanc's hotels did inspiring work on food sustainability. He stated the commercial benefits of greater sustainability, and said that all of the sustainability-motivated changes they had made also saved them money.

Pauline Godfrey said that, as well as having environmental implications, a focus on sustainability was also about ensuring that the company would survive. It was possible to make changes relatively easily, and at least one third of her business's big reductions between 2006 and 2008 had come about as a result of behavioural changes for the staff. An advantage of this was that staff could then take those changes with them into other parts of their lives. Pauline Godfrey added that it was important to focus on all parts of the business when tackling sustainability, not just the engineering teams. She cited examples that their events and housekeeping teams had made to their procedures which had made a significant difference.

Peter Ducker asked Catherine Baroun, Account and Relationship Director at Considerate Hoteliers, where their membership were in the journey to sustainability. Catherine Baroun said that they worked with a broad range of clients, from boutique hotels to private islands, meaning they faced a diverse range of challenges. She echoed Ciaran Fahy's point about sustainability changes being able to save businesses significant amount of money.

Peter Ducker asked each of the panellists what their key takeaway would be to help people improve their businesses. Ciaran Fahy said it would be for businesses to pay attention to the bottom line when considering sustainability. Pauline Godfrey stated that she would recommend businesses review their existing procedures. Catherine Baroun said that 'what gets measured, gets managed', and that it was important for businesses to pay attention to the whole supply chain.

HOSPA 300 – Rare: Consulting

Ben Rare introduced himself as a director at Rare: Consulting, which had won the HOSPA 300, meaning he was going to be talking about their work on customer loyalty. He said that there were four ways to understand customer loyalty: love of a brand, support for a brand, repeat buying from a brand and a positive attitude between brand and customer, driving repeat purchases. From their research there was an interesting disparity between the way that consumers and businesses thought about loyalty. He noted that there was consistency in the importance of consumers feeling rewarded and positive about brands. Trust was not a consistent notion, but was something that had to be maintained.

State of the Industry – An Update

Peter Martin introduced himself as the VP of CGA Peach, and gave an overview of the UK out-of-home market. It was a very big market: practically everyone who could eat out did. The group that ate out the most was the people under 35. Though the market was large, it was static; it had only experienced 0.7% growth year on year. Peter Martin highlighted the number of casual eating brands opening outlets in London. He also noted that the food market was experiencing severe disruption due to the changing nature of food delivery. Social media was also responsible for driving trends in independent outlets and street food experiences.

Peter Martin noted a trend in restaurants and casual dining outlets using drinks to leverage, often craft beers or artisanal gins. Peter noted that 2,277 new beer and cider products had been launched in the preceding three years, and that 7.1 million people were drinking craft beer at home. There was also an increased focus on provenance and health, exemplified by Pret A Manger launching more vegan products.

Peter Martin outlined that at the beginning of the year 75% of executives in the hospitality space had been confident, but that after the Brexit result 15% were optimistic in the short term, with 30% optimistic about the longer-term outcomes. There were concerns about staffing and currency issues, and it was important for the industry to pressure the Government to take the required action.

Sarah Duignan introduced herself as the Director of Client Relationships at STR. She said that the hotel market in London had recovered much faster than the market in the regions after 2007. The average room rate had increased much faster in London than the regions in the same period, and in the UK as a whole had increased roughly 15% in that time. She said that the increase in London was starting to slow, and was down from a 2015 peak, which had been 27% above 2007.

Looking at the regions, Sarah Duignan noted that Aberdeen had had a particularly bad year, driven by a decrease in oil workers and an increase in supply. Newcastle had also had a bad year, but this was more likely to be a short-term dip. Glasgow had managed to improve year on year, the year after hosting the Commonwealth Games, which was impressive. In London, the greatest improvement had been in the West End, while the East End and South East had shown the largest declines. Sarah Duignan laid out the increase in rates driven by occupancy, and said that the difference in a room rate at 90% occupancy rather than 70% was an average of 37% in London and 36% in the regions.

Sarah Duignan commented that it had been a good year for most of the regions, with positive average growth across all classes. She noted that the markets in the regions were potentially healthier than the volatility that was seen in London.

Liz Hall introduced herself as the head of hospitality and leisure at PwC. PwC had published a forecast for the hotels market in September, using assumptions from the PwC economic weather map. She ran through some key points from the weather map. These were modest growth in the US, and slowing growth in China, and recession in Russia and Brazil. Liz Hall highlighted that they were in a period of global uncertainty. PwC had issued a cautious forecast of 1% growth for the UK.

Liz Hall said that the impact of rising prices on consumers meant that consumer spending would slow, and there was a fear that there would be another period of squeezed incomes. Despite this, consumer confidence had returned to pre-referendum levels, which would have a positive effect. She explained that after grocery shopping, holidays were something that consumers viewed as a top priority. The UK had reached the highest proportion of people taking holidays since 2011. Liz noted that the falling pound would have a positive effect on inbound holidays to the UK, and staycations; the likely weakening of the dollar due to the election of Donald Trump would also help with this. Liz Hall noted that security concerns were not going to dissipate in the short term, and that they might mitigate some of those benefits, as terrorism had affected 30% of people's travel plans at some point. Business travel budgets were dropping across industry, as uncertainty and cost reduction had returned.

There were also challenges to be dealt with from the increase in supply, and the challenges of the sharing economy. Liz Hall concluded by saying that uncertainty, volatility and disruption would continue to challenge the industry.

How Technology is Changing the Face of Traditional Hospitality

Tomasz Mloduchowski, CTO at Zerado, opened the session, and invited the panellists to introduce themselves. Ed Lines said that he was an Industry Manager at Google, specialising in the hospitality and tourism subsector. Jo Brennan said she was the Founder and CEO of JamJou, who were focused on 'gamifying' employee relationships. Patience Tagborlo said that she was the Head of Partnership Solutions at Wi-Q, an online platform which allowed customers to order food and drinks using their own devices. She said that there were hurdles to the adoption of tech in the hospitality industry, and that hoteliers often feared what they did not understand.

Ed Lines explained that a lot of his team's work focused on integration of technology, and that they worked with major hotel chains and tourist brands on advertising strategy. There had been a big change in user behaviour related to advertising, as the consistent checking of mobile phones offered an opportunity to exploit new consumer behaviour.

Jo Brennan remarked that JamJou saw a gap in ways of integrating technology for younger employees, to deliver additional forms of communication or training they might need. They had been working on analytics from the gaming sector to help develop staff, and give feedback to management on where staff were struggling.

There was a question on whether having an app for everything was overkill. Patience Tagborlo revealed that Wi-Q had started as an app, but they had realised that that would not work. She felt that some things would be permanent apps, such as the ones consumers used for their banking, but that other services would be taken over by tech such as HTML5. Ed Lines said that it was remarkable how many people said they wished they had come up with an app, without recognising that apps needed to solve a specific problem and were not an end in themselves. Tomasz Mloduchowski said that it was Zerado's belief that consumers would normally make the simplest choice, so it was up to businesses to make sure that that was also the right choice.

There was a question about what innovation meant to the panel. Jo Brennan said that innovation needed to truly address a problem, and that there was a risk of 'overkill' in the use of the word. Patience Tagborio commented that innovation did not have to be exclusively about technology. In reference to data capture, she said that it was not useful unless it was useful, for example in allowing businesses to customise customer offers. Patience Tagborio believed that personalisation was the next big thing. Ed Lines added that, from a digital advertising point of view, innovation was about how to develop an effective audience strategy.

Debate: This House believes Corporate Chain Hotel Brands Tend to Suppress Value rather than Create It

Melvin Gold introduced himself as a specialist consultant to the hotel industry. He explained the topic of the debate, and welcomed Robin Sheppard, Chairman of Bespoke Hotels, and Surinder Arora, Founder and Chairman of the Arora Group. Melvin Gold explained there would be a vote at the beginning and the end of the discussion. At the beginning, 57% of people were for the proposal, and 42% were opposed to it.

Melvin Gold outlined that about half of the rooms in UK hotels were independent, and the others were either in chains or consortia. In his most recent report, he had discussed the fact that the industry was consolidating in favour of brands. Melvin Gold believed that there was a limit to how much of the industry could end up as brands. Since 2007 the number of independent hotels had shrunk, and the branded section of the market had grown by 6.5% a year. The independent sector was trying to find a way to effectively reach the market in the internet age.

Robin Sheppard proposed the motion. He argued that given the increasing homogenisation of brands on the high street, consumers had begun to long for differentiation and intrigue. Independent brands were the answer to that. Robin Sheppard conceded that there were locations that brands were able to service better than independent chains might.

Surinder Arora spoke to oppose the motion. When he had tendered for the site that the Heathrow Sofitel was on, he had been initially turned down as Arora was not a recognisable brand. This was why they had partnered with Accor to open the site as a Sofitel. For sites of 600 or 700 rooms, a brand was a necessary way to extract value.

Melvin Gold asked Surinder Arora if maintaining control of his own sites was a key part of his operation. Surinder Arora said that he hated the idea of someone else managing one of his sites. He added that staff and culture were key, and that it did not matter what the building was like if the people were not very good. Robin Sheppard said that chains made it more difficult for hotels to offer a variety of consumer experiences, and hotels should be sources of pleasure and reward. It was more difficult for a brand to make the experience truly engaging.

Melvin Gold asked if there were negative connotations associated with having to go to brands for finance or other support. Surinder Arora said he had realised that a brand would make a big difference in opening what had become the Sofitel. Given Arora's desire to open multiple

hotels at the different Heathrow terminals, the ability to franchise them through different major brands was useful.

Robin Sheppard commented that brands could be a barrier to growth for independent hotels, as banks would not lend to independent hotels. After the disruption caused by booking.com in 2006, banks had been eager for brands. Brands were useful when there was a need to fill rooms, but that there were some 'soggy' brands out there. He added that if the staff of a hotel were not good, a brand could not cover that up. Some sites needed to be run as white label hotels, as a brand would cover up what made them engaging.

There was a question from the floor about whether websites such as TripAdvisor helped to tip the scale in favour of independents. Surinder Arora said that review sites were increasing access to information for brands and independents alike. Robin Sheppard said that neither hotelier nor consumer had ever had it so good in terms of their access to information. He advised those present that when replying to comments on TripAdvisor it was useful to quote the customer's positive points in a response.

Melvin Gold invited everyone to vote again. When the results were reviewed, there had been more of a shift towards opposition to the motion.

Closing Remarks

Jane Pendlebury thanked the sponsors and exhibitors for coming. She welcomed feedback from all the delegates, and commented that the event would not have been possible without them. Finally, she thanked Peter Hancock and said that his contributions had made the event the success it had been.

This Full Transcript was produced by Ubiquis UK ☎ +44 (0) 20 7269 0370

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