November 2023 | Issue 18

Fellows Broadsheet

The Institute of Hospitality Fellows Broadsheet is a thought-leadership article written by a member of our esteemed College of Fellows. Celebrating the wealth of professionalism, knowledge and expertise within our diverse, worldwide hospitality family. The Fellows Broadsheet is published exclusively for members.

The Continuing Economic Impact on UK Hospitality: How to do More with Less

Nassar Khalil FIH joined the Institute of Hospitality by direct entry to the Fellowship in 2020. He is Founder and CEO of Rogue City Hotel Group and Managing Director at Nassar Khalil and Associates, Independent Hotel Consultancy.

Nassar is widely regarded as a global expert and leader in the hospitality sector with an executive career spanning over three decades, multiple continents and over 20 countries. He is a trusted advisor and sounding board to governments, institutions, family offices and private ultra-high-net-worth investors globally.

In this month's Fellows Broadsheet, Nassar explores **The continuing economic impact on UK Hospitality: How to do more with less**. Looking at how Brexit and Covid are still affecting the UK hospitality industry, Nassar considers how businesses can adapt to the latest compounded effects of both, despite the current UK economic uncertainties.

The UK hospitality sector has been hit hard by the Covid pandemic and Brexit and the lingering and sustained impact of both continues to cause havoc on hospitality businesses today.

The changes to immigration laws, food prices and regulations are threatening business survival across the spectrum. So, it's a case of having to adapt by doing more with less, to try to survive.

Immigration

Post Brexit, the current UK immigration system means that non-UK workers earning less than £25,480 can no longer be employed in the United Kingdom.

This is a huge blow for the hospitality sector which relies on EU migrants. Pre Brexit, non-UK workers made up 25% of the hospitality workforce.

Combining these harsher migration laws with the pandemic, almost 300,000 hospitality workers have left their jobs and returned to their home countries since March 2020. And with travel restrictions still in place, fewer EU residents are expected to come to the UK to work over the next couple of years.

As well as losing overseas talent, many staff members in the UK have not returned from furlough. Instead, they have decided to be retained in other disciplines, compounding the challenge to a magnitude never experienced before within hospitality.

With the backdrop of a staffing crisis, businesses are trying to rebuild and recoup some of the money lost over the past few years. With the government ignoring calls to ease immigration laws specifically for hospitality businesses and pay-inflation becoming unaffordable for small to medium sizes hotels and restaurants, the crisis is set to get worse before it gets better.

Supply chain inflation

Cost pressures, stubborn inflation, on-going recruitment difficulties, and the threat of a recession all require deft navigation. If pay pressures are not challenging enough for hospitality businesses, prices continue to rise at disproportionate levels.

Why this may not seem like a major hurdle if businesses are able to increase their prices in turn, margins in hospitality following Covid and Brexit sit at between 10% - 15%.

Therefore, the profit and loss quantum in hotels, as a business, is sensitive to the smallest fluctuations, which inevitably creates major erosion to the bottom-line.

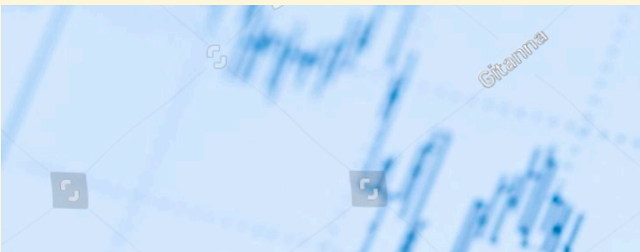
Consumer confidence

While we have seen an initial spike in the number of people dining out and staying in hotels since the lockdown restrictions eased, the impending high probability recession threatens to knock consumer confidence to levels only experienced some decades ago.

Albeit the EU was able, in many and yet intangible ways, to keep interest rates stable, forcing the bank of England to take stock before increasing rates in the UK. Now it seems like EU monitoring policy plays far less a role in the Bank of England considerations.

If the economy is unstable due to the uncertainty around inflation and interest rates, people will spend less disposable income, meaning less dining out and less hotel stays.

On top of that, as food and commodity prices rise, eating out will become more expensive and hotel stays perceived as a luxury, which could deter even more people.




Do more with less

So, how can operators bridge the gap, retain staff and deliver excellent guest experiences?

1. Digital checklists - Automate tasks, help to get new team members up to speed quickly, and reduce team member's cognitive load. This allows teams to spend less time on administration and more time on delivering excellent customer service. And managers can focus on training and building a positive work environment. Smart workforce planning will also help manage higher wage bills.

2. Communicate clearly - With less staff, no time can be wasted. Your operations need to be as efficient as possible, which means having a system in place that allows you to communicate clearly. Everyone needs to know exactly what to do and how to do it, and management needs to know it is being done.

3. Invest in your team - Invest in your teams, and they'll be more likely to stick around. You could offer training courses, or better working conditions. Create a career path for individuals with potential, give them a reason to stay longer. Show your team that a career in hospitality is exciting. Demonstrate the global demand and rewarding opportunities for highly experienced chefs, sommeliers, and bartenders. The majority of hospitality professionals start in entry-level positions and then grow.

4. Be flexible - Research shows staff are more likely to stay at a workplace that gives them control over how and when they work. Yet only 9% of hospitality businesses offer flexible work policies. To stay competitive in the job market, empower employees and give them the flexibility they need.

Leading destination

The UK has long been a leading destination for hospitality, with London renowned as a global capital for fine dining, luxury hotels, and vibrant nightlife. Even with economic uncertainty ongoing through 2023, the fundamentals that make the UK market uniquely attractive remain strong.

Here's why the UK will continue to draw hospitality brands from across the globe:

- First and foremost is the sheer scale of the opportunity. According to Statista, 'In 2021, an estimated £131.5 billion British Pounds of the country's gross domestic product was generated, directly and indirectly, by this sector'. Domestic tourism remains enormous, with British residents taking over 100 million overnight trips per year. Alongside this is a thriving inbound tourism market, buoyed by the strong dollar and fluctuating pound, which, according to Statista, will see an estimated 37.5 million visitors by the end of 2023.

- The UK also benefits from a strong business travel sector centered around London; one of only two true 'global cities' in Europe alongside Paris. This delivers year-round demand during weekdays when leisure travel is lower. London averaged over 20 million international visitors annually pre-pandemic, all mainly high-spending business travelers. With London maintaining its status as a global financial capital, business travel is likely to recover strongly.

Conclusion

The UK will remain a highly compelling market for hospitality in 2023 and into 2024. The sheer number of domestic and inbound visitors, strength of business travel, and innovation opportunities outweigh the risks. With smart strategies to control costs, deliver value, and locate in key hubs, brands can overcome challenges and continue flourishing in this unique market.

The future looks bright for hospitality firms who understand what makes the UK a world-leading destination. The question is, will the single unbranded hotel owner with one or two independent hotels or restaurants with limited or no economies of scale ride the storm?

I hope they do, as that is what makes the UK unique in its hospitality offering.

About the author

Nassar is Founder and CEO at Rogue City Hotels, and Managing Director at Nassar Khalil and Associates, Independent Hotel Consultancy with an executive career spanning over three decades, multiple continents and over 20 countries.

As a multi–award winning, experienced CEO with an active portfolio of Board roles, Nassar is an ardent advocate of sustainable, new age challenger brands and disruptive growth models. He is passionate about people, technology and is a sought-after keynote speaker and contributor at industry events.

Nassar is a member of the advisory board of London and Partners and has consulted for several hotel groups including Kempinski, Jumeirah and Katara Hospitality. He is a past chair of the West London General Managers' Association, a Fellow of the Institute of Hospitality, and the British Institute of Facilities Management.

He is a visiting Hospitality Lecturer at The Vatel International Hotel Institute in Brussels and at Stratford College, London. He chairs several hotel forums including for Coutts, WTM, and Dubai's Hotel Show.

Nassar is a trustee of several charities that are close to his heart including BCBN and Sense International.

Industry Accolades

- Outstanding Achievement Award - World Luxury Hotel Awards
- Industry Titan 2020 - Boutique Hotelier's Power List
- Market Marvel 2022 - Boutique Hotelier Awards