

INSTITUTE OF HOSPITALITY

WHITE PAPER

DIVERSIFYING IN THE HOSPITALITY INDUSTRY
TO MEET RISING COSTS

Harbour Hotel, Guildford



by Catherine Chetwynd MIH



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Running a business at the moment is hard. Owners are working in the business, restructuring teams and trying to keep everything going. It is exhausting and demotivating

Kate Shanley, Proprietor, The Northbrook Arms

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The Broader View

Rising costs are an unfortunate fact of life but hospitality businesses that diversify will tackle the problem head on, showing an agility and focus that bring resilience. This paper explains how to achieve that

Standing still is not an option; it is tantamount to sliding inexorably backwards. Those in hospitality need to invest in new service offerings and refurbishment so that they are in a robust condition to meet the future.

The lockdowns of 2020 and 2021 shocked hospitality practitioners into rethinking how they do things, bringing creativity and diversification; restaurants started to do deliveries, an egg producer with a lot of land now runs a farm shop and a wedding venue. Lockdowns made people take a new approach to the business rather than pursue the norm. This needed connections and partnerships – and they remain vital, particularly with local communities.

Investment is key but finance is difficult and banks do not seem to be interested. Denbies Wine Estate has a brewery, coffee roasteries, art gallery, hotel and vineyard, and visitors can enjoy tours. Facilities are fully booked and much of this business is pre-booked, including 300 covers a day in the restaurant. Running this smoothly requires clever, integrated systems.

This does, however, go against the trend and younger customers are making reservations at the last minute, providing less certainty and requiring venues to be flexible.

Rock Solid

Good foundations – both physical and technical – are essential and show potential lenders the proprietor has a firm base from which to respond to the unexpected nimbly and with versatility; forward planning inspires confidence. Restaurants, for example, tend to fail when they get to around three sites because they didn't start with robust infrastructure, and by the third site, one person can't manage them.

Data is all and that requires tight systems; it is no longer an option to be information poor – it is imperative to be data rich.

Feedback

For some, TripAdvisor is the main reference point, they look at ratings every day, see which hotels are driving TripAdvisor reviews, and train their teams how to do that. This can generate quality reviews and lively stories.

But the younger generation uses TikTok and this perplexes some operators, who don't always know which platform to use. If there were any doubt, however, 48% of couples use only TikTok, so if you're not on TikTok you're losing 48% of the market.

Recruitment

Apprenticeships, internships and work placements are a compelling way for students to learn from experience and get steeped in an industry that gives huge rewards. They fill a property with enthusiastic employees and allow employers to observe them working to see what they are good at.

Although hospitality has long talked about employing for attitude rather than skills, it was not the norm until lockdown, when many people left the profession and retrained. A more empathetic and proactive approach was required.

Denbies Wine Estate invests in local people and takes on 16-year-olds, who can work across the estate – server, restaurant, hotel, housekeeping, vineyard and more.

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We get the right people with the right attitude – if they want to be part of Denbies' journey, we will invest in them – anything from apprenticeships to sponsored learning,

Beccy Gunn, Hotel Manager, Denbies Wine Estate

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The estate also takes students from University of Surrey on a year's placement. "There's an apprentice in the kitchen who started in the server, moved to the Gallery Restaurant, and in his third year is in the hotel. We can offer that diversity and he can decide what kind of chef he wants to be," she says.

Recruitment

Staff shortages in hospitality have been a problem since before lockdown and Brexit; people left the industry to do other jobs and didn't come back because they didn't see hospitality as being stable. The one good thing disruptions like the pandemic and Brexit have done is to bring good pay and conditions into the profession.

But this puts pressure on employers' coffers, and they have to be canny at managing huge labour costs. "We are adding a standard service charge with a tronc system to ensure a good pay package; that is how we are retaining staff," says proprietor of The Northbrook Arms Kate Shanley. Raised NIC has exacerbated the financial problem, and where labour costs represented 25% of turnover, they have now reached 33%. "We make sure we have diversified enough to pay for it," she says.

Hampshire Fare has started working closely with institutions to educate them, including universities, suppliers and hospitality businesses.

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That builds loyalty, and we see some hotel chains are moving people around to get experience in different roles and to understand what their skills are

Natasha Dochniak, Commercial Manager , Hampshire Fare

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There are further advantages: "We have people in the business who have worked in bars, restaurants and reception. When we do revisions to software and want new ideas, their input is fantastic; bringing those people into suppliers is really useful," says sales director of Zonal Stuart Derricott FIH.

Flexible hours, benefits and training

Younger workers in particular expect work-life balance and where they are offered a 10-hour day and a four-day week for the same pay as a five-day stint, they choose to have three days off. Flexible opening times are a viable palliative to this. For a bar, traditional business was from 12.00 to 11.00 but now, venues open from 10am until 3pm, bringing opportunities for tea & coffee trade.

In addition, employees want to know the benefits they will get from working with you. At senior level, that might constitute pension, medical insurance or membership of the Institute of Hospitality. But younger teams may be looking for smaller options such as recognition, a staff fun day or a theme day in the canteen.

And revised changes to the Employment Rights Bill mean from 1 January 2027, employees on probation have a six-month qualifying period before being able to claim unfair dismissal; it was previously two years. This means managers must be trained to onboard people carefully.

Magnetic attraction

Hospitality is the third biggest employer in the UK. It is exciting and diverse but we do not shout about that. The world is your oyster! Ask new recruits what journey they are hoping to make and keep them engaged as they move through your establishment.

Communication is all and although people know that social media and marketing exist within hospitality, they don't recognise that HR, finance and revenue, and engineering, are also necessary to the sector; and engineering is notoriously difficult to recruit for. To emphasise the point: to start a restaurant today, you need about 20 skillsets, from building a website to wiring a socket.

In the UK, we put great emphasis on going to university but in Germany, for example, no one can take on any professional role unless they have been trained to do it.

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We have so many kids in university doing degrees they will never use when they go into the workplace and they should be learning practical skills for a life-long career

Ian Woodley, Founder , Finance Kitchen

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Outsourcing

Although outsourcing gets mixed reviews, it makes expertise available that a small business might not otherwise be able to afford. A restaurant can employ consultant chefs with a name, which raises its profile, attracts new guests and is good for the chefs as well; people go there because of the experience.

Outsourcing accounts for expertise is a case in point because businesses need someone who understands the sector, rather than knowing ad hoc management accounting. Similarly, outsourced HR gives constant access to someone with the necessary knowledge, whether that is recruitment, onboarding or leavers.

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We have an HR consultant for legislation. If a job advert is going live, it goes through the employment system; interview notes go into that and we onboard the person through it. We use Recruit Genie for onboarding, integrated with Rota-ready for time tracking

Oliver Weeks, Managing Director, Ideal Collection

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“Leaders are having regular meetings with teams; they are managing performance more effectively and being more candid in feedback, which is helping us be more productive. Each employee also has to go through several competency levels before they reach next one, and that motivates them to grow,” he says.

Systematic

For a monthly fee, The Access Group includes a CPL (learning and development) management programme and a wide range of courses and training; users can also load their own programmes. And when someone is joining the company, you can send courses before they start and can see when they do them or send a warning if they don't. Efficiencies are essential.

Zonal made simple changes with EPOS and PMS systems for its 5 million pub customers, most of whom don't have a reception. Now, customers check in on EPOS, removing the need for a laptop and releasing someone for more important roles.

And another client wanted a system to link people's data to day-to-day finance. The answer was to integrate the HR system to manage the people data, rostering and shifts, into the EPOS to give the day's takings as a reference point when allocating shifts.

Hotels now also ask employees to multitask, so someone trained at the bar might also work the breakfast shift and run reception, while processing emails in between. Customers can check in before arrival but benefit from human hospitality when they arrive, go to the desk, get their key, and are shown to their room. This is a happy balance between tech and human touch, which is why people go to a hotel.

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According to research we've undertaken with hospitality consumers, 52% think that technology has an important part to play in the best experiences in hospitality, but 48 % consider human interaction to be the critical factor. In other words, the personal touch still matters more than anything else in restaurants, pubs and hotels.

Stuart Derricott FIH, Sales Director, Zonal

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Sustainability

Sustainability is no longer a box-ticking matter, it is a must and candidates are asking questions about it in interviews – young job seekers want to work for companies that reflect their ethics.

Sustainability also features large in business plans, which makes organisations more attractive to investors, many of whom will throw out anything that does not match their ideals. “Investors are not always looking for a massive financial return but want to do some good by giving an opportunity,” says Ian Woodley.

Denbies Wine Estate is a BCorp company and tries to work with BCorp organisations. “We ask whether something will be there in 10 years’ time and as a result, we are much stronger and more resilient; it is in everything we do,” says Beccy Gunn.

Sustainability is a business imperative – and an opportunity; when looking at a menu, customers want to see that produce is sourced in the vicinity and companies will choose a sustainable venue for meetings. When looking at environmental practices, ask obvious questions – sometimes it may be more sustainable to drive rather than use public transport.

At property level, food waste can be turned into energy and leftover food made into meals for people experiencing homelessness.

VAT out of hell

Most European countries apply a variety of VAT rates to drive demand in hospitality, with some of the proceeds going to the government in tax, but we have the same rate on a Ferrari as on a hot sausage roll. Supermarkets are paying 0% on ready meals and sandwiches, and hospitality operators have the costs of delivery and community, and pay 20% VAT on a huge turnover.

Hospitality gives a large amount of tax to the government, and variable VAT would make sure the sector continues to exist and invest. Ironically, if it's too expensive to eat out, we go to a supermarket and pay no VAT. Our sector employs suppliers, builders, electricians and more; it is putting money into the community.

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Running a business at the moment is hard and with restructuring and getting rid of staff, owners are working in the business. They are exhausted and it is demotivating

Kate Shanley, Proprietor, Northbrook Arms

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She continues to say, “The government should be giving better grants, better loans, better support for business, to encourage growth strategies, but they have stopped listening. They talk about economic growth without any concept of how we are going to get there.”

Positive final note

An evening at the pub doesn't feature for young people; they play padel, have a drink, and eat something. As a result, a new hospitality sector is booming – competitive socialising; people have a beer, a pizza, and play indoor golf at the same time. This is the new nightclub.

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I explained the concept of a beer festival to students – drinks, local producers, local acts... and students asked, 'But what do we do there?' So now we have fake bars so that participants can have photos taken behind them, activities, and traditional pub games. I enjoy the challenge; we have to be more than a bar.

Oliver Weeks, Managing Director, Ideal Collection

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Versatility may be an inky issue, but it is a must – and it can repay protagonists in untold rewards, both motivationally and financially.

Methodology

This white paper has been produced following a round table discussion at the Harbour Hotel, Guildford.

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