

Recap on the BHA's 2017 Summit

This year's Summit was packed full of delegates from all corners of the industry, sharing their views on the challenges facing the hospitality sector and sharing the similar anxiety of being an "undervalued and underappreciated" industry for far too long. Delegates also shared their mutual admiration for the BHA and its tenacious lobbying of a government which does not understand the tremendous challenges and uncertainties facing the industry in light of Brexit.

The hospitality industry is 'great' – it has always been 'great' and will continue to be both 'great' and an integral part of British life, as it has been for hundreds of years. It is deeply rooted in our culture. The industry needs to stick together and promote itself more, it needs to speak out more about the tax receipts it generates and the jobs it creates – two things that the government takes seriously whilst underappreciating the huge contribution that the industry makes to our economy.

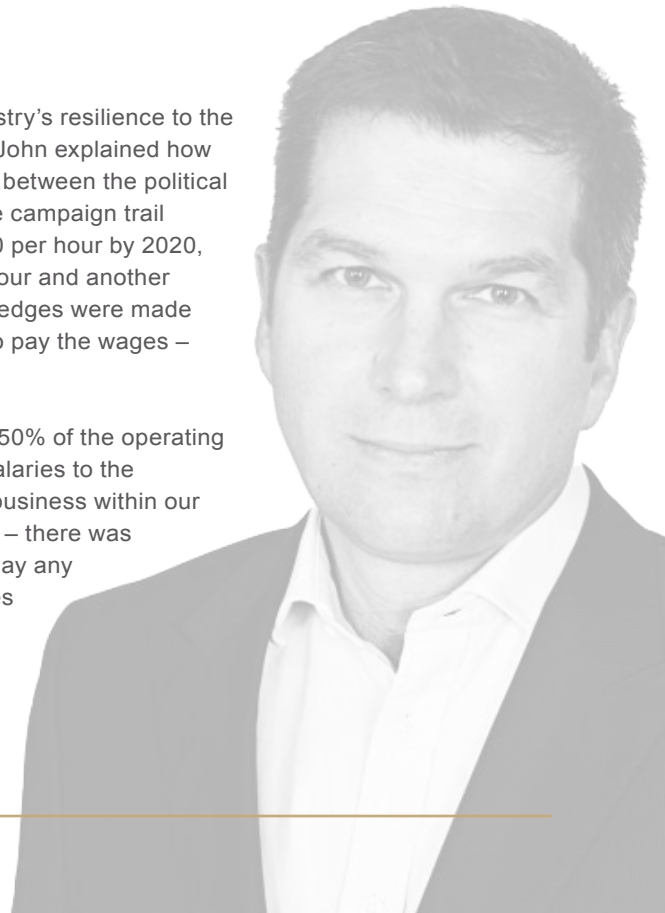
The key messages we took away from the Summit are as follows:

The Chairman's Message

Nick Varney, The BHA's Chairman, spoke about the industry's resilience to the political uncertainty and financial challenges it is facing. John explained how the industry is being used as a pawn in the "bidding war" between the political parties surrounding the minimum and living wages on the campaign trail where George Osborne initially set a living wage of £9.20 per hour by 2020, Labour and the SNP then pledged to raise it to £10 per hour and another party subsequently raised it to £11/£12 an hour. These pledges were made without any consultation with the businesses who have to pay the wages – the employers.

Employment expenses typically comprise between 30%-50% of the operating expenses of a business within this industry. Increasing salaries to the levels suggested by the political parties could destroy a business within our sector. Clearly, if businesses could pay more, they would – there was no consultation as to whether the industry can afford to pay any more than it currently does. In light of the hefty challenges and uncertainties this sector is facing, it is at a huge disadvantage at a time when it needs certainty.

The BHA's recommendations to the government are as follows:



Appointment of a better industry champion within government:

the industry currently sits with the Department for Culture, Media and Sport, which has failed to sufficiently support the industry. This sector needs to be high up on the Government's agenda and have a seat at the table. Responsibility for it should be given to the Department for Business, Energy & Retail Strategy.

Consultation with the industry prior to making policy decisions:

the government should refrain from making any plans, promises or targets which have a very material effect on the sector, without first consulting businesses within it.

Reviewing business rates:

business rates are currently far too high and have hit our industry hard. Business rates need to be implemented "more fairly" as they disproportionately hit companies which need a lot of investment (such as hotels), whilst those in the digital economy are largely unaffected.

Reduction of VAT:

a renewed plea was made for the government to reduce VAT on tourism-related activities. Nick called this a "silver bullet solution" to help our industry deal with rising costs and competition from other countries. Tax exemptions and allowances need to be made available. This is discussed in greater detail at point 3 below.

Developing evidence based immigration targets:

the industry relies on immigration to the UK to fill positions for unskilled labour roles such as cleaners and chefs. The BHA is ready and willing to work with Government to develop immigration targets.

2 Employment

As with most industries in the UK, the hospitality industry is facing uncertainty. Brexit is of particular concern to the industry as it is a large employer of EU citizens. One in three people working in the sector is an EU immigrant and employers face serious challenges in potentially having to fill positions traditionally filled by skilled and dedicated EU migrants.

On a more positive note, the industry is a huge employer – it is the fourth largest employer in the UK. Politicians were concerned with youth unemployment in 2011. The industry created 400,000 jobs for young people to develop skills and work in the industry.

3 The Tax Burden on the Industry

As with many other industries, “price” is a huge factor for consumers when choosing whether to spend their money on this industry within the UK - and the largest failure in the industry is “price”, which is partly due to the huge tax burden the industry faces. The UK is second from bottom in a survey of 136 countries for having the highest taxes within the industry. For example, for every £1 spent in a pub, 34 pence is paid to the Government in tax. This is the highest duty levied on any industry in the whole of the country.

The Treasury’s own financial model proved that a reduction in taxes and VAT would result in increased tax receipts from our sector as more national consumers would be able to afford spending their money within the UK and more international tourists would visit the UK. When sterling drops, there is a marked increase in visitor numbers and spending in the UK.

The government has been taking too much in taxes from the industry whilst underappreciating how significant an employer the industry is and the huge contribution the industry has to GDP.

4 Embracing Technology

The digital world has transformed the global travel industry for the better. The industry has to engage with consumers and the digital world has enabled engagement to become part of a consumer’s daily life. The digital world offers tremendous opportunities to remedy or enhance a consumer’s experience and the industry has been quick to embrace technology, especially social media, to converse with customers for feedback on their recent experiences and how to shape want their future experiences. However, to be able to measure social sentiment about an experience or future experiences, it is critical that the industry is part of the social digital community (such as Facebook, Twitter and LinkedIn). Here, the industry has great opportunity to remedy/enhance an experience, whether positive or negative.

Creating Value Through Empathy and Experience

We live in an experience-based economy where consumers prioritise experiences over material goods. Due to the squeeze on consumer spending, consumers continue to look for value. Value is not necessarily measured in monetary savings but can be measured in different ways and what is clear from conversing with consumers, is that the most highly valued experiences are the ones which they relish, want to show-case on social media, offer them the choice and opportunity to try something new, something different. The industry is reacting by researching what consumers want - having direct conversations with them whether through cocktail receptions or round table discussions. The key messages coming through from consumers are:

- ▶ Empathy – empathy plays a critical part of experience. Every business needs empathy with its customers in order to relate to and connect with them. It is the smaller things that stand out and make a huge difference and, often, the most effective way of doing so is through demonstrating empathy. Examples given during the Summit included supplying crayons for children to keep them occupied whilst waiting in a restaurant (every parent knows how restless children can be without being occupied); not having to wait long for a bill and getting on a plane quickly.
- ▶ Hospitality and service – the industry needs to create ‘money can’t buy’ experiences. Consumers increasingly want personalisation and are looking for experiences tailor-made to their personal needs and tastes. The proliferation of data available to the industry enables us to meet this demand. The key to delivering the experiences consumers want is to connect with them, to have conversations with them and be innovative.

An example given where the sector has listened to consumers and reacted, is the huge variety of gins (and tonics) available in F&B outlets due to the recent surge in the popularity of gin. Punch Taverns stocks 24 different types of gin and several different types of tonic in some of its outlets. Another example given was the development of “voice search technology” where Google have recognised that consumers want a much more human and speedier interaction with apps used in the industry. Google has listened to what its customers want and has enabled voice search technology to be specifically applied to its hospitality business – meeting this demand.

Customers are spending more and more on experiences. The industry has been keeping up with the demand and needs to continue its conversation with the consumer about what they want so that the industry can continue delivering memorable experiences.

The hospitality industry is an innovative, energetic, fast-paced and exciting place to be in. The AG Hotels & Leisure team is delighted to be a part of it. The AG team, and all other delegates we had the pleasure of speaking with, were unanimous in agreeing that the industry is united and that the BHA has been doing a sterling job talking to the industry and the government about the industry’s concerns, reinforcing the industry’s importance to the UK economy. As Ufi Ibrahim, the Chief Executive of the BHA said, the Summit was a great forum to share our “hopes, fears and vision” and that “if we talk together, and stick together, then much can be achieved”.

We very much look forward to re-convening with you all at next year’s Summit.

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