

# Opinion Article:

## *Make hay while the sun shines*

The British hotel industry could be a net beneficiary of Brexit if it focuses on performance and process improvement now, says Ian Smith, General Manager at Invu.



# BREXIT

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#### Introduction

The recent fall in the value of the pound must be good news for the hotel industry, enticing more overseas travellers to visit the UK, where they can make their own currencies go further. At the same time it seems likely more Britons will restrict their travel to British shores.<sup>1</sup>

This bonus may not only be restricted to the tourist trade. Businesses can make their budgets go further in Britain too, meaning the UK could become an attractive destination for international business meetings and conferences over the coming months.

While there is a cloud on the horizon in the form of the implications of Brexit, the full ramifications of it are unlikely to be felt for a good two years.

George Osborne, former Chancellor of the Exchequer, used to bang on about fixing the roof while the sun shines. For the hotel industry that moment is now.

It would be easy to miss this opportunity and look straight past it, waiting nervously to see what the true impact of Brexit will be.

It is understandable that industry leaders will place their bargaining chips on the pre-Brexit negotiating table. British Hospitality Association CEO Ufi Ibrahim has been vocal on the subject<sup>2</sup>, noting that the sector here employs some 4.5 million people – many of whom are now concerned about their ongoing right to stay and work in the UK. She is also campaigning for a cut to tourism VAT, to ease some of the pressure and enable the industry to remain competitive.

It is easy to be negative and focus on the ability to keep accessing competitive labour from Eastern Europe or imagine a world where the impact of tighter border controls impacts tourism.

#### Threats

Digital transformation can be regarded merely as a threat by the industry.

Pressure from alternative accommodation is growing, for instance, via new models which harness social platforms and mobile apps like Airbnb. However, the recent judgement against UBER has perhaps dented the outlook for the Gig economy.

The industry has already gone through one transformation, with the marketing model already significantly impacted by the likes of Booking.com who have taken over a large proportion of the bookings activity, enabling them to negotiate from a strong position on fees. Hotels need to be aware of the power of social networks, keep their propositions both fresh and enticing and their customer experiences strong, ensuring customers keep coming back. In today's world of online reviews and viral feedback, no customer-facing business can afford to put a foot wrong.

All property-based businesses could soon see a hike in business rates, following a recent nationwide Government revaluation exercise<sup>3</sup>.

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<sup>1</sup> UK tourism set to benefit from weak pound, Financial Times, June 2016: <https://www.ft.com/content/081baa36-3c73-11e6-9f2c-36b487ebd80a>

<sup>2</sup> As 700,000 leisure staff face Brexit curbs, industry's leader has a stark warning for PM: Don't push our business to cliff edge, This Is Money, September 2016: <http://www.thisismoney.co.uk/money/news/article-3794237/As-700-000-leisure-staff-face-Brexit-curbs-industry-s-leader-stark-warning-PM-Don-t-push-business-cliff-edge.html>

<sup>3</sup> What will the rates revaluation mean for UK business? BBC, September 2016: <http://www.bbc.co.uk/news/business-37483274>

However the penny falls with Brexit, the likelihood is that costs will rise – from the price of labour, to the cost of items imported from other markets (ingredients, wines, fixtures, and fittings). All of this needs to be absorbed as painlessly as possible, without detriment to the customer experience (e.g. through higher prices, or poorer service).

Mitigation of these threats will be reliant on strong cost management.

## Opportunities

As well as the likely increase in demand caused by a weaker pound, digital transformation can be regarded as an opportunity for the industry.

Digital transformation offers opportunities to optimise business processes. For example, financial processes can be digitised and automated reducing time staff spend in the back office, handling routine administration such as purchasing management and supplier invoice processing. These processes tie up valuable resources – people whose time and skills could be more usefully allocated to being visible and available front-of-house, where they can make a difference for customers – contributing to a good experience (and a favourable review).

Traditional manual accounting processes and an overreliance on paper to record and keep track of spending makes visibility of expenditure difficult. Replacing manual systems such as accounts payable with automated processes will result in better control of the business. Unstructured data, for example the detail of costs contained on invoices, can be captured and analysed.

Taking advantage of these opportunities will provide management with the tools for stronger cost management.

## Timing is everything

Hotels have an opportunity to act now and be prepared for the impact of Brexit.

If Brexit does ultimately lead to pressure on staffing levels by driving up wage rates, an early move to control costs and bolster productivity could mitigate the risk – as long as businesses make the improvements before the pain is felt.

Hotels should not wait. Two years will soon fly by, and the sooner they start to get their financial processes in order, the more robust a position they'll be in when Britain breaks away.



## About Invu:

Invu develops Electronic Document Management (eDM), Accounts Payable (AP) and Purchasing solutions for a range of sectors, particularly those which are highly document dependent or where compliance is important. Invu's comprehensive product suite encompasses document and content management, purchasing, workflow, document automation and collaboration solutions.