

Top Tips for Hospitality & Leisure Businesses

Identify Income Streams – Many businesses in the hotel and leisure sector have different sources of income: rooms, bar sales, meals, functions, etc. Being able to separate these and their associated costs can help identify where parts of the business might not be performing as well as expected, whilst others could be doing well and masking potential problems elsewhere. Identifying the separate parts can help with planning of targeted marketing and cost management to boost the poor performing areas.

Benchmarking – Many businesses operate in ignorance of how they are doing compared to similar businesses, so they can't really determine how well they are doing. It is possible to obtain industry-specific data to allow you to assess the performance of your business. In the leisure sector Visit Britain and Visit England produce regular reports on hotel room occupancy and rates, which can be regionalised and sorted by number of rooms available. Local hotel associations will often be able to provide more local performance data to members. Accountants with relevant sector experience, such as Jones Harris, will also be able to benchmark your business against similar ones. Licensed premises trade associations can also provide reports which help identify how you are performing compared to other such businesses.

Management Information – you should monitor key performance indicators (KPI) identified as being central to the success of your business. In the leisure sector these might include: -

- Room occupancy
- Number of covers per week
- Gross profit margins on bar & food sales
- Number of repeat bookings (This is always easier than attracting fresh customers all the time).
- Cash at bank.

In respect of the first 3 of these, you should have an idea of what level represents break-even for your business . Systems should be set up to easily identify those KPIs you deem crucial.

Manage Seasonality – Good management information will help you identify any seasonal trends, which can be pronounced in the leisure sector. If the data is sensitive enough it should also reveal any micro-trends within the seasonal; for example a spike in activity during a quiet period might be linked to local events attracting people in. This could be common in areas with exhibition/conference centres. Once such trends are identified, the challenge is to maximise the good periods and enhance the quieter ones.

Marketing Plan – The information you gain about your business and customers should be used to create a plan to direct your marketing resources where they will be most effective and enhance your business. You could consider forging links with event promoters to either offer accommodation/ refreshment packages linked to events, or to host the event itself at your venue. Contact coach operators and other travel providers bringing people to your area, again with a view to providing accommodation or refreshment packages.

You could also generate your own markets by catering to special interest groups, either by putting on events at your venue or offering to act as a base and tour organiser for local area trips. Examples might include wildlife/bird watching, photography, local history, ramblers etc. Many such groups have their own specialist magazines, websites, etc. which you could use for promotion. Many special interest groups - such as ornithologists - will pursue activities that fall outside peak tourist periods, so catering to such groups can be a good way of maintaining occupancy in the low season.

Staffing – The leisure industry in the UK has long had a reliance on foreign workers. Ensuring they have the right to work in the UK and that their pay is correctly taxed is the responsibility of you as employer. So ensure you have a good grasp of the relevant legislation and systems to make you comply. If you are in any doubt, seek professional advice.



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Review your insurance – A lot of businesses take out insurance when they set up and renew it automatically each year. However if you have made alterations to your building, or changed the way the business operates (for example opening a bar to non-residents) you might invalidate your insurance. Alternatively if your business grows, you might find you are under-insured. To avoid any problems review the adequacy of your cover whenever there is a change to the business, and at least annually.

Tax efficiency – Whilst business decisions should always be taken to maximise the benefit to the business rather than minimise tax, you should always look to implement the decisions in the most tax effective way possible. Amongst established hospitality and leisure businesses who have buildings from which they trade, one issue that is often overlooked is embedded capital allowances. These are fixtures and fittings which are intrinsic to the property but on which capital allowances can be claimed if their value can be identified and separated from that of the bricks and mortar. Another benefit which can be missed, especially if payroll is dealt with in-house, is the National Insurance exemption of £3,000, which can be claimed if you pay Employer's National Insurance for your staff.

Finance profile – The seasonality of many leisure businesses can lead to serviceability issues on borrowings at certain times of the year. It might be worth reviewing how your financing is structured and considering options which offer flexibility of payments to match busy and quieter periods.

Cash – Leisure businesses can handle significant amounts of cash depending on the nature of their trade. Banking this can be expensive. Alternatives which could be considered include paying as many bills as possible with cash, or possibly looking for other local businesses that make more use of cash; you could then exchange cash for an electronic transfer of funds from their account to yours. This latter approach would help both businesses to reduce cash handling charges. Where cash is being used, good systems are required to ensure all transactions are properly recorded.

Stock management – If you operate bars or provide food sales, take stock regularly. Overstocking can put pressure on cashflow by tying up funds. Conversely, poor stock control where there is excessive wastage or loss of stock can damage the margin to be made on sales and affect cashflow. Knowing what stock you have and what your re-order levels are can help mitigate such issues.

Work intelligently with your suppliers – At certain times of year, food and drink suppliers put on offers. These may be worth buying if these are items you know will be able sell (for example at Christmas) and if you know you can store them safely. If you can afford to tie up some capital in this way and you know you will be able to sell at full retail value, the extra profit makes the effort worthwhile.

More information:

If you would like more information and advice on reducing costs and boosting your profitability, please call us for a free and friendly discussion. As a practice with a long history of helping North West hospitality companies to thrive, we're confident we can make a positive difference to yours.