Future Shock
Issue One

Partners
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Introduction

The single biggest issue that continues to dominate the news, for both businesses and consumers, remains Brexit. If anything has been certain over the past couple of years, it is that nothing has been certain. With just under six months to go until the withdrawal date, things are beginning to look a little clearer.

UKHospitality has been pushing the Government to provide clarity and details of the challenges and opportunities that will face the sector once we leave the EU. In this fourth edition of Future Shock you will find expert insight from companies working in and around the hospitality sector that will enable you to understand the current landscape of hospitality more easily.

Data to illustrate the opportunities to innovate, advice to ensure you are prepared for Brexit and a thorough examination of the state-of-play in the sector at present.

We hope you find this latest edition useful in your discussions with your business partners, colleagues and, most importantly, Parliamentarians.

Kate Nicholls - Chief Executive – UKHospitality

Welcome to the fourth Future Shock report, produced in conjunction with UKHospitality and its partners. CGA is delighted to be involved in this important analysis of our fast-moving industry, and to share with you some of the latest and most significant trends from our suite of research sources.

Our analysis makes it clear that trading isn’t easy at the moment. With like for like sales growth sluggish, key input costs rising and competition fiercer than ever, operators need to be at the top of their game to succeed. Several other trends, like delivery and the rise of the third space, are adding to the challenges. And as you can read in this report, 2019 will bring fresh threats – not least around Brexit.

But as we also make clear, there are plenty of opportunities too. Forward-looking operators who properly understand the habits, needs and motivations of different consumer groups, and who deliver memorable experiences, can still thrive. Responding well to the big trends we identify here - like premiumisation, technology, healthier eating and greater interest in ethics - will go a long way towards achieving that.

Future Shock aims to set out some of the market’s most important dynamics and support the industry’s efforts to prepare for the coming opportunities and challenges alike. We hope you enjoy reading it.

Karl Chessell - Business Unit Director – CGA
Like for like sales are flat, competition is fiercer than ever, and expansion plans are being reined in - but cautious optimism is starting to return.

Those are among the big messages in the latest data from CGA’s unparalleled range of market measurement and insight research sources. They reveal an ultra-competitive out of home eating and drinking market, and highlight just how rapidly consumers’ expectations and behaviours are changing.

The scale of the challenges facing operators is highlighted by CGA’s Coffer Peach Business Tracker, which indicates that managed pub and restaurant groups have seen like for like sales rise by just **0.6%** in the year to August 2018. Total growth is higher at **3.6%** – but this represents a slowdown on previous years, and it is clear that many brands are relying on new openings for the large majority of increases in sales in 2018. Small to medium-sized casual dining names, like Five Guys, Wahaca, Franco Manca and Giggling Squid are still expanding at a good rate. But for more established brands, organic growth is being hard won at the moment.

These new openings are a double-edged sword: while fuelling growth, they have also pushed the market towards saturation point. This was highlighted earlier in 2018 by CGA’s Business Leaders’ Survey, which found that more than half (54%) of sector bosses were concerned about market saturation or over-supply of sites. CGA’s Outlet Index spotlights the scale of the supply issue: by the end of 2017 there were nearly 4,000 more restaurants than four years earlier.

A string of CVAs and closure programmes from leading casual dining brands since the start of 2018 have proved that the fears of business leaders in that survey were well founded. They have also contributed to a fall in the number of pubs, bars and restaurants this year, with the latest Market Growth Monitor from CGA and AlixPartners revealing a **2.5%** drop in all licensed premises between June 2017 and June 2018 - equivalent to more than 3,000 net closures, or an average of eight premises a day. Pubs have borne the brunt of closures, but the casual dining sector has not been immune: after years of relentless growth, the number of restaurants fell by **1.0%** in that same 12-month period.

On top of the saturation issues, margins are under severe pressure from a triple whammy of rising property, people and food costs. The extent of the last of these challenges is highlighted by the Foodservice Price Index from CGA and Prestige Purchasing, which has shown inflation in the sector to be running in mid to high single digits for much of the last two years. Even though inflation has settled down a little lately, in July 2018 it stood at **3.2%** – well ahead of the **2.3%** inflation measured by the Consumer Price Index that month.

Despite these negative indicators, there are very tentative signs of optimism. July’s CGA Fourth Business Confidence Survey found that two thirds (67%) of leaders were optimistic about prospects for their business over the next 12 months - down on the equivalent figure in May (75%), but higher than in nearly every other survey since the Brexit vote of 2016 that dealt a hammer blow to confidence. Brexit remains a huge concern, and leaders’

**Future Shock market update: Ten insights from CGA**

The important trends to know about – all drawn from CGA’s exclusive suite of research sources
optimism for the market in general – as opposed to optimism for their own businesses – remains significantly lower at barely a third (36%).

Will confidence increase over the next 12 months? CGA’s data shows that while costs are rising and Brexit is storing up more challenges, some brands are still very much on the front foot. The Coffer Peach Business Tracker shows that hot weather and the football World Cup negatively impacted restaurants over the summer – but they made for a strong few months for many managed pub operators. People continue to go out to eat and drink, and a BrandTrack survey in April 2018 indicated that 61% of 18 to 24 year-olds eat out at least weekly – just as frequently as was the case five years ago. For distinctive, high quality and good value brands that can give them what they want, there is clearly still plenty of room for growth.

Amid so much churn and uncertainty, one thing is for sure: all operators need to stay right on top of market and consumer trends. Here are just ten of the key insights from CGA’s suite of up-to-the-minute research tools.

1. Experience is king
For a fast-rising number of people, it is not simply the quality of the food or drink that matter now, but the entirety of the experience.

CGA data consistently shows that while the offer, service and value of venues are still important in the decision-making process, they are increasingly trumped by what else restaurants, pubs or bars can offer – and how those venues make them feel. This is manifesting itself, for example, in the rise of ‘competitive socialising’ concepts – like London bars Swingers, Flight Club and Bounce, which offer food and drink alongside crazy golf, darts and table tennis respectively – or by integrated offers like bars with in-house cinemas.

An enhanced experience can also sometimes be generated by technology. But more often it is achieved by an accumulation of getting the simple things right. CGA’s BrandTrack consumer survey found that there is almost a three-quarters (72%) correlation between consumers being driven to a brand for environment and the perception of the quality of experience. Consumers also being driven to a brand by being passionate about quality also have a high correlation in relation to the quality of experience (66%).

2. The rise of the third space and omnichannel
One of the most interesting impacts of changing consumer habits can be seen in the new wave of concepts that push the boundaries of out of home eating and drinking. Developments here include pop-ups and ‘third space’ venues: sites ranging from community places to festivals and locations that sit alongside home and work in people’s mindsets.

Festivals are emerging as particularly important battlegrounds. CGA’s BrandTrack survey showed that one in three visitors to the on-trade for late-night occasions had visited a music festival in 2017, while the Business Leaders’ Survey revealed that half (50%) of suppliers had festivals and other events as a top-three marketing target for 2018.
3. Health is moving up the agenda - but not for everyone
CGA’s BrandTrack research reveals that nearly two-thirds (62%) of eating and drinking out consumers proactively try to lead a healthy lifestyle – and that has big implications for operators.

Health moved even further up the agenda with the launch in April of the Government’s soft drinks industry levy, more commonly known as the ‘sugar tax’. And BrandTrack shows that sugar is now the main focus of people’s health concerns: 51% of consumers consider it to be important when selecting a meal – higher than fat (49%) or calorie count (38%).

This has prompted many operators to dial down the sugar in both their food and drinks. Soft drinks manufacturers have tweaked recipes and put low or no-sugar varieties to the forefront of their marketing, and most say that reactions have been broadly positive. In CGA’s Business Leaders’ Survey at the start of 2018, more than two in five leaders (43%) identified low-sugar drinks as a key trend this year – and that is exactly how it is turning out.

1 in 10 VENUES now stock a gluten-free beer

But it is important not to over-play the health issue. The health kick is far from universal, and BrandTrack research shows that while diets like vegan and gluten-free are generating a lot of coverage, the numbers following them remain small at 1.8% and 3.2% respectively. It also suggests that even among those who seek to lead a healthy lifestyle, many still visit fast food brands like McDonald’s, KFC and Burger King. The big challenge for brands is to flex the offer to cater for healthy eaters and drinkers while not alienating those seeking treats.

4. The rise of non-alcoholic drinks
As many people become more health-conscious, there is a growing movement towards sugar-free and non- or low-alcoholic drinks. Two-thirds (66%) of consumers say they have visited a licensed venue for a night out in the last six months and not drunk alcohol – and of those, a third (33%) have done so for health reasons.

More and more operators are acting on this. At the start of 2018, CGA’s Business Leaders’ Survey found that nearly two in five (38%) bosses predicted non or low-alcohol drinks would be a big trend in drinking-out this year. Research among licensees found that more than a third (36%) are stocking more of these drinks to cater for the market. Manufacturers are responding too, with Heineken launching new non-alcoholic beers and Diageo investing in non-alcoholic spirits brand SeedLip.

These kind of drinks are still worth only a small fraction of overall sales. The craft trend has ensured that the beer market remains strong, while sales of spirits by volume are increasing, thanks in large part to widespread premiumisation in the sector. But the appeal of non- or low-alcohol drinks is one that all restaurant, pub and bar operators need to closely monitor.

Non Alcohol/Low Alcohol

18.7%
Volume growth YoY

Number of outlets stocking NAB/LABS:

63,967
Increase in outlets YoY

9,489↑

5. Ethics and sustainability take centre stage
For consumers and operators alike, sustainability has never been more important. BrandTrack research shows that close to half (44%) of consumers consider the sustainability of ingredients to be important or very important to them when choosing a meal out of home – a jump of ten percentage points in just two years. Two-thirds (66%) of British consumers meanwhile think it is important that the eating and drinking out brands they visit are ‘environmentally ethical’.

Of course, people’s stated beliefs and their actual behaviour can often be very different. But it is clear that brands that can prove their sustainability credentials have a head start when appealing to millennials in particular. This is why so many operators have moved to cut out the use of plastic straws from their drink serves in 2018. But operators have been taking less noticed steps too, like adjusting the sourcing of ingredients or reducing their water usage. A new breed of ultra-sustainable operator, like Tooting’s new zero-waste bar Tap 13, is starting to emerge. And technology, in the form of waste reduction apps like Olio, is aiding the efforts.

6. Premiumisation continues, but isn’t uniform
For several years now, CGA’s research has identified a consumer movement towards premiumisation, especially in the drinking-out sector. This trend is showing no sign of a slowdown, and the CGA On-Premise Measurement tool estimates that the premium sector of the on-trade will grow by another £3bn a year by 2020.

Premiumisation is occurring even within standard, mainstream brands - but with some very important distinctions. The average price of a standard lager serve has increased from £2.93 to £3.31 over the last five years, for instance, but the price of a standard gin has risen even more sharply, from £2.24 to £2.76. The gap between the premium and value ends of the mainstream is widening.
In response to this non-linear premiumisation, it is increasingly important for outlets at all ends of the market to properly understand their customers and adapt their drinks offerings accordingly – a challenge that CGA’s consumer segmentation tools can help operators to meet. Ranges are evolving and increasing, and CGA data shows that premium drink-led venues now stock an average of 27.3 premium spirit brands, compared to 12.0 in the mainstream category. CGA’s Outlet Index confirms that these ‘gold’ or ‘silver’ rated venues are increasing their share of the market at the expense of ‘bronze’ sites. For every pub, bar and restaurant, establishing the right drinks range will be integral to future growth.

7. Not all consumers are the same

As the habits of consumers evolve, it has become clear that analysing people through demographic data is no longer enough. Contrary to some opinions, for example, members of the millennial generations do not all behave in the same way.

That is why CGA has launched new consumer segmentation tools to better understand the habits and motivations of those who eat and drink out. The tools split consumers into groups like ‘Trending Tastemakers’ – high spenders and early adopters of new brands—and ‘Confident Conformists’ – more cautious with their money and loyal to the brands they like. ‘Family Pit Stoppers’ meanwhile seek places that will give both adults and children a reliable and quick experience, and ‘Sparkling Socialisers’ regularly wine and dine out with friends.

The segmentation also uncovers insights into the very different ways that groups interact with technology. The ‘Steadfast Sippers’ group, for example, need to feel a high level of trust in the brands they use, and so are particularly heavy readers of online reviews. For ‘Trending Tastemakers’, by contrast, it’s all about convenience – and apps, websites and other digital tools have a big role to play in delivering that and achieving proper engagement.

Brands nowadays have to be not just good but great in so many areas, and it is impossible for any of them to be all things to all people. But as the new segmentation tools show, there is much more they can do to ensure they stay relevant to core customers and appeal to new consumer sets.

8. It’s crucial to think like a local

Consumer segmentation is particularly helpful in the context of the huge variation in trading patterns across Britain. Recent CGA research has shown that from region to region, city to city, town to town and even street to street, different parts of the country perform very differently.

For example, as Karl Chessell pointed out at CGA’s Future of Finance seminar in June, Bath has seen sales jump recently, while Stockport has struggled. That’s partly because Bath has a higher population of those ‘Trending Tastemakers’ identified by CGA’s segmentation tools, while Stockport over-indexes on ‘Cost Conscious Champions’ – people who chase value but become strong advocates of places they enjoy.

Bath has also seen year on year sales rise more steeply than in nearby Bristol. And while both places have high areas of affluence, they have subtle but crucial differences in consumer types. Bath has a higher proportion of high-spending ‘Business Class Seekers’, for example, and Bristol a greater share of ‘Cost Conscious Champions’. Understanding the breakdown of consumers in areas in this way is the first step towards serving them better. It also informs scores of crucial business decisions, like site selection, pricing and marketing. Brand engagement on a macro level remains important of course – but operators who underestimate the importance of interaction at a local level do so at their peril.
9. Technology powers engagement and personalisation

Take-up of digital devices is still rising, with recent research putting smartphone ownership among 16 to 24 year-olds as high as 95%. So it is no surprise to find that digital platforms are where young adults in particular want to engage with brands.

BrandTrack research shows that consumers’ most common uses of mobiles in the out of home eating and drinking space are for browsing menus, accessing special offers and making bookings. But a recent GO Technology report from CGA and Zonal also revealed the growing role of digital devices in consumer feedback. Two-thirds (64%) of consumers now use social review platforms to read or write reviews, and the same proportion (65%) expect to get something in return for their feedback.

Online feedback opens up new possibilities for the personalisation of engagement and marketing. Apps and other methods of tracking where, when and how consumers spend their money can feed-in to offers and campaigns that are tailored to individuals’ wants and needs. Intermediaries like loyalty and reward apps are going to become ever more important in this area.

Mobile devices are also behind a more general consumer trend: a preference for photographs over text. For restaurants and bars, ‘Instagrammability’ – the need for photogenic interiors and attractive presentation of food and drink – is the new buzzword.

10. Delivery booms: An opportunity or a threat?

In contrast to the picture of broadly flat out of home sales, the delivery sector has boomed in 2018. The CGA Zonal GO Technology report revealed that 27.3 million British consumers have had food delivered in the last six months – equating to 58% of the adult population.

This trend is being driven by third-party intermediaries like Deliveroo and the convenience of web and app ordering – though it is worth noting that a third of those requesting deliveries still only do so with a phone call. GO Technology research indicates that young professionals, especially in London, are much more frequent recipients of deliveries than older people. Advances in technology, like GPS tracking, drone delivery and automated voice ordering, are only going to increase its popularity.

The big question for operators here is obvious: do delivered sales add to restaurant occasions, or cannibalise them? Part of the answer is given by the GO Technology finding that more than a quarter (28%) of British adults have ordered deliveries more often over the last year – higher than those who have dined out more often (23%), and rising to 37% in London.

People continue to go out to eat and drink, and BrandTrack shows there is a core group of a quarter of consumers (25%) who say they would never have food delivered from a high street chain. So in the short term at least, delivery sales may be incremental rather than detrimental, and there will always be a place for eating out on the high street. But delivery is clearly going to bring long-term challenges for restaurants – not least because people are sceptical about its quality compared to the dine-out experience. For operators seeking to grow delivery sales, CGA data suggests that improving delivery speed, keeping food hotter and finding the right pricing structure will be the three big issues to tackle.

For more about CGA’s services and how we can help every operator, visit www.cga.co.uk or email hello@cg.co.uk.
## Market Snapshot

### GB outlet numbers – June 18 v June 17

<table>
<thead>
<tr>
<th>Category</th>
<th>June 18</th>
<th>June 17</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Led</td>
<td>44,936</td>
<td>45,521</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Drink Led</td>
<td>63,840</td>
<td>65,593</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Other</td>
<td>11,024</td>
<td>11,802</td>
<td>-6.6%</td>
</tr>
</tbody>
</table>

### London outlet numbers - June 18 v June 17

<table>
<thead>
<tr>
<th>Category</th>
<th>June 18</th>
<th>June 17</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Led</td>
<td>6,802</td>
<td>6,841</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Drink Led</td>
<td>3,757</td>
<td>3,911</td>
<td>-3.9%</td>
</tr>
<tr>
<td>Other</td>
<td>709</td>
<td>704</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

### On Premise Measurement – Total Value (£m)

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
<th>YoY % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer &amp; Cider</td>
<td>14,455.08</td>
<td>14,177.38</td>
<td>1.96%</td>
</tr>
<tr>
<td>Soft Drinks</td>
<td>4,377.64</td>
<td>4,259.79</td>
<td>2.77%</td>
</tr>
<tr>
<td>Spirits</td>
<td>6,493.55</td>
<td>6,083.45</td>
<td>6.74%</td>
</tr>
<tr>
<td>Wine/Champagne</td>
<td>4,141.47</td>
<td>4,247.08</td>
<td>-2.49%</td>
</tr>
</tbody>
</table>

### Brand Track

- **GB Consumers Eating Out Weekly** (BrandTrack April 2018): 41.78%
- **GB Consumers Drinking Out Weekly** (BrandTrack Feb 2018): 26.96%

### Coffer Peach Business Tracker

- **Inside M25**
  - Total YoY: 1.8%
  - L4L YoY: 0.4%
- **Outside M25**
  - Total YoY: 4.4%
  - L4L YoY: 0.5%

Like for like sales
July 18 figures
Managed Volume Pool: Sales mix

Great Britain

2017

Food: 30.2%
Beer & Cider: 8.4%
Soft drinks: 7.5%
Spirits: 9.3%
Wine/Champagne: 8.1%

2018

Food: 30.7%
Beer & Cider: 7.8%
Soft drinks: 7.5%
Spirits: 8.4%
Wine/Champagne: 9.3%

Segment: Sales mix

2018

Bar

Food Led: 23%
Drink Led: 6.0%
Beer & Cider: 41.6%
Soft drinks: 19.7%
Spirits: 10.1%
Wine/Champagne: 5.6%

Drink Led

Food Led: 60.4%
Drink Led: 20.1%
Beer & Cider: 6.9%
Soft drinks: 4.1%
Spirits: 8.6%
Wine/Champagne: 8.4%

Food Led

2017

Bar

Food Led: 41.3%
Drink Led: 6.0%
Beer & Cider: 21.9%
Soft drinks: 20.5%
Spirits: 10.7%
Wine/Champagne: 5.7%

Drink Led

Food Led: 61.1%
Drink Led: 19.8%
Beer & Cider: 8.6%
Soft drinks: 8.8%
Spirits: 11.2%
Wine/Champagne: 8.6%
The future of the hospitality workforce – it’s all to play for

As we look to the future of hospitality, the workforce is undeniably the biggest uncertainty. There are an unprecedented range of factors combining to create this sense of the unknown – Brexit, the cost of employment, technological advances, education and training changes and much more. The workforce of the future is going to look very different to how it does today – as all these issues intertwine over time.

It was with this backdrop that UKHospitality commissioned the Hospitality Workforce Commission 2030 – an investigation into the future employment needs of the sector. Receiving written and oral evidence from more than 50 stakeholders, the Commission produced an MP-led report with nine recommendations to the Government and industry.

The actions range across three topics – skills and training, diversity of our people and promoting careers in the sector. We believe the nine recommendations have the potential to bring all stakeholders together to build a more positive image of hospitality and secure our workforce needs in a fast-moving, dynamic environment. We will be using the Commission extensively over the coming months to bring about positive policy change and urging businesses to collaborate where possible to make hospitality an ‘industry of choice’.

The most immediate change that we are likely to see will come from Brexit. The much-hyped ‘Brexodus’ never happened after the Referendum, but there is evidence to show that some EU colleagues have left the UK, even as the migration figures show that net immigration stands at around 100,000 per year. UKHospitality has worked hard with Government to ensure that EU citizens are entitled to remain in the UK and retain their current rights, and also to secure a favourable future immigration policy.

The guarantee of the rights of our current EU colleagues, and indeed those who arrive in the UK before the end of 2020, to remain in the UK is hugely positive. UKH has worked with Government to ensure this process is as smooth and affordable as possible. We have been impressed by the system that has been designed but less happy with the delays to the scheme. EU citizens will not be able to register for ‘settled status’ until early 2019 – though it is important to emphasise they will not need to be registered until July 2021. The cost will be £65 for adults and £32.50 for children.

The country’s future immigration policy is even more uncertain. The Migration Advisory Committee published its long-awaited report in September with a range of proposals. At its heart was that the UK’s immigration policy should be focused on high-skilled individuals, with a limit on low- and mid-skilled workers. This is likely to have a damaging impact on the hospitality sector. The key recommendation was for an alignment with the non-EU immigration system – widely viewed as costly and inflexible – albeit with some reforms that UKH proposed. UKH does not believe that this serves the needs of the sector or its customers and will be pushing back strongly.

As we transition away from the current world of free movement, we will need to see a focus on productivity. This will involve upskilling the domestic workforce and investing in technology. Work is well underway on improving skills levels, with hospitality leading the way on apprenticeship training and supporting of new T-levels. A more skilled workforce should help to drive down employment costs over time.

The benefits of technology have also already been seen, particularly in workforce management and payment, but there are further opportunities in this area. This sector is not likely to be one that fully embraces automation – personal service is too important – but with the cost and availability of workers rising there will inevitably be a move to tech-based solutions.

This all paints a picture of a sector in flux. Government policy interacts with wider societal and technological changes to create an uncertain future. Operators and suppliers have the opportunity to make clear competitive gains if they can get right the balance between productivity advances and great customer service. The political environment is such that this is a necessity for the future of the sector.
The considerable impact of collective copyright collection on all types of hospitality business

Copyright licensing. The very mention of the phrase sees people who are not in the know turn off, eyes glazing over - asking themselves the question: how is this relevant to the hospitality sector?

However, as most operators know, this area presents a crucial cost pressure to their businesses. Hospitality venues are, for the most part, entertainment venues - including music (background, DJ events, live music gigs) and, for some, broadcast of film - be it a television in a hotel bedroom, or a screen in a public bar or lobby area. Copyright law is a complex beast, but in simple terms the copyright owners can collect royalties from those who broadcast their content. Rather than each owner collecting their own royalties, over the course of the Twentieth Century they banded together into collecting societies. There are many of these representing various different types of copyright holders, who formulate tariffs and invoice businesses, with the ultimate aim of distributing the amount raised to their members.

For hospitality businesses, the biggest names are PPL (who represent record companies and producers) and Performing Right Society (PRS) for Music (who represent musicians and songwriters). These two bodies set the fees that hospitality businesses pay for music, with different rates for background music, DJ events, accommodation bedrooms – in fact anywhere that the public can hear music within the business.

There are a number of different copyright fees that such bodies can charge for, which apply to all types of businesses that make music available to the general public and paying guests. These include background music, music played on televisions, jukeboxes etc. Trade bodies such as UKHospitality have historically negotiated with PPL on the structure and fee level of these tariffs, with varying levels of agreement.

PPL and PRS for Music collect royalties with a different tariff system to pay music writers and the artists themselves, and more recently Motion Picture Licensing Company (MPLC) have moved in to collect on TV programmes and motion pictures. Therefore, the impact of collective copyright collection on all types of hospitality business is considerable, especially set against the myriad other cost pressures faced by operators.

The music collection bodies have recently come together into a new joint invoicing service - but, contrary to some reports, this does not equate to a merger of the two bodies. Each organisation is still responsible for setting
individual tariffs for different types of music use. Over the years, there have been numerous negotiations on these fees, including with UKHospitality’s predecessor bodies. An area where copyright was relatively quiet, up until recently, has been television. In 2015 changes were made to the Copyright Act 1988, as a legal decision (relating to televised football) it was established that UK copyright law was incompatible with EU law and had to be amended. In brief, the changes enable copyright on ‘film in a public broadcast’ (motion pictures and television programmes) to be collected much more clearly and easily than before the amendment. Various bodies had raised this as a risk to the Intellectual Property Office (IPO) ahead of the changes, however the IPO was legally required to make the changes. Live broadcasts such as rolling news and live sporting events are not subject to copyright.

MPLC began approaching different sectors that use televisions (pubs, bars, hotels, restaurants, gyms, etc.) in 2016. Initially, MPLC insisted that simply having a television would make a premise liable for a copyright fee, but after negotiation with trade bodies it was agreed that the fee would only be payable if the business was actually broadcasting copyrighted content to customers. So, for example, a bar showing only rolling news to customers (and could prove this was the case e.g. staff trained that channels should not be changed) would not be liable for the fee. A bar showing pre-recorded TV programmes and/or motion pictures would be liable.

MPLC has developed an ‘umbrella licence’, which has been in place since 2017 and runs from a calendar year. There is a separate tariff for different sectors, however for hospitality businesses such as pubs, hotels and restaurants the charge is broadly similar – starting at £97.85 per annum and increasing based on floor area, calculated on the area of the business where the TV is visible.

Conversations with businesses suggest that some have paid the charge, others have put systems in place to show only live broadcasts, and others have removed televisions entirely. It should be noted MPLC had the ability to effectively target both large and small businesses and the same will presumably be true of the new hotel bedroom tariff.

UKHospitality continues to fight for our members in the copyright arena, a battleground which will become even more important in future years.
What can Primary Authority do for my business?

On 1 October 2017, the Government rolled out new legislation that made it possible for businesses to form a statutory partnership with one local authority, which then provides “robust and reliable” advice for other local regulators to follow when carrying out inspections or addressing non-compliance. Significantly, the Primary Authority partnership promotes consistency and fairness of enforcement to help reduce time and cost burdens on businesses.

Moreover, where a trade association has developed a co-ordinated Primary Authority Partnership with a local authority, their members can get further additional benefits of Assured Advice, in addition to their existing arrangements with their own Primary Authority (PA).

UKHospitality has a coordinated Primary Authority Partnership with Cornwall Council which covers ‘food safety and hygiene’ and ‘food standards’. Through this Partnership the first Assured Industry Guide to Hygiene for the Catering Sector was awarded its assured status. The Catering Guide was developed by a working group of UKHospitality members, Dr. Lisa Ackerley - UKHospitality’s food safety expert - and the Food Standards Agency and Food Standards Scotland; which means it is also recognised by them. It can be relied upon as an invaluable guidance document that is available to all involved in the hospitality industry. Following the assured advice helps businesses avoid facing reputational risk from a poor food hygiene rating. Such a drop of rating can cause trade to fall by 20 to 50%, costing businesses thousands of pounds.

Critically, member businesses must opt-in to the UKHospitality Primary Authority Scheme to be awarded the added protection of its assured advice. For instance, through its assurance with Cornwall Council, the Catering Guide has legal standing and can be used as a legal safety net for any opted-in UKHospitality member who is following the advice contained within it. The business will be able to rely on the agreed levels required for compliance in the guide and the support of Cornwall Council if challenged by an EHO.

Following the success of this, UKHospitality has agreed PA status for the new Acrylamide Guidance and in future will be expanding this into a one stop shop of assured guidance on Food Safety Management for our members. This will be developed to dovetail existing policies or as a stand-alone in its own right. More guidance development is in planning.

“We want to take the stress of uncertainty out of compliance. Clear, practical assured guidance will help in our goal to reduce inconsistency in enforcement and drive up standards in food businesses. The benefits for UKH members will just keep on growing in this arena.”

Dr. Lisa Ackerley
The introduction of the sugar levy in April 2018 caused a huge shift change in the growing landscape of the soft drinks category. Directly targeting producers and importers of soft drinks to encourage them to remove any added sugar, promote no or low-sugar options, and reduce portion sizes for high-sugar drinks, the levy has seen soft drinks companies big and small having to adapt their portfolios significantly.

This, coupled with the changing consumer attitude towards sugar and desire for lower sugar alternatives, means brands are having to re-think their product offering in order to keep up with the times. With this comes a profitable opportunity for smaller brands or start-up companies to make their mark and lead on innovation in the lower sugar arena – establishing themselves as market leaders.

Innovation is key

Whilst many soft drink brands have spent a substantial amount of time and money adapting their overall portfolio in response to the sugar levy, the introduction of the levy has created a gap in the market whereby sitting below the threshold of sugar is necessary for many brands.

Smaller brands or start-up companies have the opportunity to build their brand upon this ethos from the outset and create a portfolio of innovative products, thus eliminating potential alienation of existing consumers accustomed to a particular product or taste. It will save establishing brands time and money in the long run if their products comply with the sugar levy and are part of the lower sugar conversation from the outset.

Consumer trends

It is not just the introduction of the levy which has altered the landscape of the soft drinks category. A growing consumer need for lower sugar and “healthier” drinks has fuelled reaction from the soft drinks category.

This is part of a long-term attitude change in consumers, who are now paying even closer attention to the ingredients in what they drink, with more than half of global consumers checking sugar content of food and drink before they buy*. It is undeniable that healthier choices across food and drink categories has become an established trend, with sales up 8% for low and no sugar drinks, but down 11% on last year for sugary drinks**.

It is important to recognise that enjoyment is a crucial factor too when consumers are out socialising and drinking, so whilst health is a key trend for the soft drinks industry, ensuring that this is delivered in a way which does not impact, but enhances, the overall drinking experience is paramount.

It is no question that a huge part in a business’s success is listening to the needs of its customers. By creating lower sugar ranges and being versatile with product offerings, it will only stand them in good stead to become industry leaders.

Taste and quality first and foremost

Whilst offering lower sugar alternatives or reducing sugar content is a necessity for brands, maintaining taste and quality is equally important in retaining customer loyalty, and plays an important part in the overall drinking experience. The London Essence Company, a premium drinks brand producing distilled mixers designed to accentuate the finest spirits, noticed the growing need for lower sugar offerings before it launched in late 2016.

The brand, of which all its products are exempt from the sugar levy, has the support and credibility from its parent company, Britvic PLC. However, The London Essence Company has the agility and energy of a start-up brand with fresh thinking and a blank canvas to make its mark from.
Our unique use of distilled essences in our mixers means we are able to deliver the aromatic signature notes and taste, with only a dusting of sugar.

Ounal Bailey, Co-Founder of WiseHead Productions, the incubator company backed by Britvic, and creators of London Essence, mentioned how they spotted a gap in the market for creating drinks which delivered on taste without having to rely on high levels of sugar or artificial sweeteners to carry flavour: “Given the long-term trend towards sugar reduction across the world, and being consumers of premium drinks ourselves, we found that many "premium" options focused on natural credentials but were also very high in sugar.

“Our unique use of distilled essences in our mixers means we are able to deliver the aromatic signature notes and taste, with only a dusting of sugar.”

As well as creating great taste, through London Essence’s relationship with the on-trade and conversations with world leading bartenders, it discovered that high sugar mixes often overpowered the flavour profile of the spirit. “As a mixer brand, our priority is to ensure that we are truly able to accentuate premium spirits, so customers have a better overall drinking experience across serve, taste and enjoyment. Offering lower sugar isn’t just to provide a healthier choice for consumers, it’s beneficial in ultimately creating a better drink, which in turn is more appreciated by the consumer.”

Ounal finishes by stating: “As more and more brands expand their lower sugar, ‘healthier choice’ offering, the variety of soft drinks options will continue to grow. We’re excited to have been at the forefront of this conversion from the outset and look forward to leading innovation in the category for years to come.”

In order to work with the growing demand for healthier soft drinks and imposed sugar levy, innovation in the industry is key. There is an exciting opportunity for brands, perhaps mostly with smaller companies or start-ups, to offer the best of both worlds: lower sugar and great taste.

For more information please contact The London Essence Company PR team at Splendid Communications

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Brexit is the largest constitutional change in the UK for some considerable time. It has contributed to an uncertain political environment, and just several months out from the scheduled departure date much of the important details regarding our departure remain undecided.

Regardless of the politics, Brexit represents a set of circumstances that have already impacted business and will continue to do so for an indeterminate period. The two most significant impacts upon the hospitality and foodservice sectors are likely to be availability of EU labour, and cost/availability/quality of the food and drink that we resell.

The decision to leave the EU has already triggered significant changes in these areas, with an over 50% decline in labour migration from the EU, and exchange rate weakness being the primary driver of almost 10% food and drink inflation (at its peak in 2017).

Brexit is one of a number of risks and challenges facing our sector in 2018 and beyond. Like all uncertainties it’s good practice to evaluate, monitor, and react to events as they unfold. This requires a strong methodology, the necessary discipline to follow through with action, and great communication from those responsible for procurement and supply chain.

So here are Prestige Purchasing’s “7 things to do before Brexit”:

1. Review your supply chain completely
Understand what you spend, what products you buy, where they come from, and who your suppliers are. Build even stronger relationships with them and understand the challenges that Brexit may bring for them, so that you can plan to be agile in the event of these challenges materialising.

2. Assess potential impacts
Recognise the impacts that Brexit may have on each area of your business.

3. Examine supplier agreements
Look carefully at the length of your contracts and the consequences of break clauses. If appropriate, review currency hedging and multi-sourcing. Examine future commercial strategy in the light of possible Brexit scenarios.

4. Create a risk log
Understand and prioritise based upon the likelihood and impact of risks, deciding how you will mitigate the impacts if the risk materialises. Research Brexit based issues such as potential impacts upon availability/cost/quality. Ask suppliers for their risk logs. Read, listen and learn. Stay in touch with developments and update plans accordingly.

5. Calculate key exposures and create plan of action
Understand your key exposures and calculate nature of and levels of potential impact within your supply chain. Decide which exposures require action now, and which should be monitored ongoing.

6. Communicate
Brexit impacts will not just impact supply chain. Build cross-functional teams to monitor the situation and include risk management colleagues, compliance, financial, legal, operational, sales and marketing teams.

7. Collaborate
Develop a list of credible sources and arm yourself with data and timely, regular information. Keep stakeholders regularly informed, remaining clear and transparent about the implications.

Prestige Purchasing: Are you Brexit ready?
Planning and communication is the key

UKHospitality & CGA Future Shock Report - Issue One
What are the Brexit Scenarios that should be considered? Here’s a high-level summary of our “Four Scenario Checklist”

Scenario 1 - Leave with a deal
The UK and the EU have both stated clearly that they want as amicable a divorce as possible, with a legal agreement setting out the nature and mechanics of the relationship they will have when the UK has left. Theresa May wants to keep close ties with the EU in certain areas, such as trade in agricultural products and allowing skilled migrants access to jobs in the UK – which is a good reflection of the lobbying work undertaken by UKHospitality and others in the hospitality and food sectors.

She says her plan will allow Britain to take back control of its laws, money and borders, just like people voted for in the 2016 EU referendum, while also allowing relatively “frictionless” trade and avoiding a physical border for Northern Ireland.

But it’s been attacked as an unworkable compromise by people from both the Remain and Leave ends of the debate. And of course, the EU may also decide to reject it, but the two sides are still hoping to strike some kind of deal by the late autumn and, despite criticism and ministerial resignations, Mrs May believes this is the best option.

Scenario 2 - Leave without a deal
This is, in effect, a clean break from the EU. The UK would fall back on its membership of the World Trade Organization (WTO), the global body governing international trade. UK exports to the EU would be subject to the same customs checks and taxes the EU currently imposes on countries like the United States.

Those arguing for this option - the “hard Brexiteers” - say it would create a truly independent nation able to strike its own beneficial trade deals around the world. But opponents say it would be catastrophic for British business and have warned about chaos at the borders, higher prices and shortages in the shops.

Scenario 3: Stay in the EU
The UK has formally triggered the mechanism to leave the EU at 23:00 GMT on 29 March, 2019. To reverse that at this late stage would mean a huge loss of political face, and probably require a new prime minister, with the backing of voters in a general election.

Donald Tusk has said he believes Brexit can be halted - but there is some debate about whether the Article 50 process is reversible. If the UK were to leave and then wanted to immediately rejoin, it would need all the other EU member states to agree.

A less formal version of staying in the EU might be if the UK strikes a deal that keeps it in the EU’s trade arrangements - the customs union and the single market - and agrees to free movement of people and the jurisdiction of the European Court of Justice. This would of course amount to staying in the EU, or at least the Brexiteers would argue this.

Scenario 4: Hold another referendum
The UK government has ruled this out, but there have been a number of people calling for a fresh vote - including Justine Greening, and at least two former Prime ministers. Both houses must vote on a final deal if one emerges, but with Parliament apparently split over what kind of Brexit it wants, a referendum on the final deal agreed by Theresa May in Brussels might yet end up being the only way to break any deadlock.

Those campaigning for another referendum say that voters should get the final say, including the option of staying in. Labour’s leadership say a general election should be held rather than another referendum.

Finally, what are the things to look out for which will impact supply chain?
Look-out 1 - Trade deals
The UK’s food requirements are fulfilled by a combination of products that are grown and produced domestically, as well as products that are imported from other countries – most typically we import food and drink products when the UK’s conditions are not suitable for production, or there is a shortfall in supply or where a trading country has a significant capacity, technological or commercial advantage. According to the most recently available data from DEFRA, 49% of the food consumed in the UK is of UK origin, with a further 30% being imported from the EU and 21% coming from the rest of the world.

The UK is currently a part of the EU Customs Union which is a form of trade agreement where member countries agree to eliminate tariffs on each other’s goods and agree to impose common external tariffs on goods from countries outside the customs union.

Changes to trade deals can increase or reduce tariffs on goods, and create additional costs associated with the importation process. They can also impact exchange rates.

Look-out 2 - Freedom of movement of people
Most of the UK’s agribusiness and foodservice sectors are currently heavily reliant on the efforts of EU Nationals. 41% of roles in food manufacturing and 28% of roles in food service are currently filled by foreign-born workers (EU Nationals make up around 50% of all foreign-born workers). The uncertainty around future conditions for these employees post-Brexit has led to lower net migration into the UK (a fall of over 50%) with businesses struggling to replace these typically low-skilled workers. The situation has not been helped by a rise in perceived xenophobic behaviour and the devaluation of Sterling which has made the UK a financially less attractive country to work in for migrant labour. Steep rises in the cost of soft fruit this year are an example of the impact of this situation.

Look-out 3 - CAP and agribusiness impacts
The Common Agricultural Policy is the agricultural policy of the European Union, which exists to ensure a fair standard of living for the agricultural community, keep markets stable, ensure availability and provide food at reasonable prices.

It does this through a combination of taxes, subsidies and quotas. When the UK leaves the EU, CAP will no longer necessarily apply and so future conditions for UK farmers are uncertain.

Today, 55% of current UK farm incomes are derived from CAP payments, and their removal would be highly disruptive to both the UK farming industry and to food prices. DEFRA has made some initial statements that will transform CAP into incentives for environmental standards and stewardship, but the detail of this has not yet been made clear.

Look-out 4 - Food standards
Much of the legislation governing food safety in the UK is derived from EU law. New Trade deals with countries with lower food standards may incentivise the government to reduce food standard, but it is likely to be both unpopular domestically and would also reduce our ability to export UK products to other EU countries. On the other hand, DEFRA has been suggesting that we will make further improvements to standards in the UK, with our dairy, meat and produce industries using quality as a point of difference in the domestic and global market.

Look-out 5 - UK political environment
Both the major political parties in the UK are split with ‘Remainers’ and ‘Leavers’ in both camps, which suggests that even if there was to be a change of government in the next few years, it is unlikely (although not impossible) that a significant change in direction to Brexit negotiations would occur. There is a risk that should the government fall later in 2018 the EU would have no-one to negotiate with, and as yet, undetermined outcomes. Political instability is a major influence on the above Scenario outcome.

Look-out 6 - UK economy
The consensus amongst economists is that the UK economy is under-performing the rest of the EU currently. Consumer demand remains weak, and the period between now and the end of 2019 is likely to generate more instability, which in turn may impact consumer confidence. A further slowing of the economy will dampen rises in food and drink costs.

Look-out 7 - exchange rate movement
Given the degree to which the UK imports food from Europe (and further afield where commodities are generally traded in US dollars), a drop in the value of Sterling results in these imports effectively costing us more – a fact seen in 2017 in food inflation in our sector. Scenario 1 above would be likely to strengthen Sterling against the Euro, but Scenario 2 would impact exchange rates negatively, such that the cost of imported goods would be likely to rise further.

Further advice & support
For further help and support please contact
Prestige Purchasing
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It may still be several months away, but none of us need reminding how Brexit has already had a significant impact on the hospitality and leisure sector. And among all its effects – from food price rises to the impact it will have on our supply chains – none have been felt as keenly as staffing.

I’m sure most of us can quote at least one real life example of how difficult recruiting has become, particularly outside London. One restaurant operator opening a new outlet in the home counties told me that he was having to bus workers in from out of town and provide free accommodation just to get it open.

This is not purely the Brexit effect of course. The UK has had a tight labour market for some years and structural issues around encouraging young British people into the sector of course play a large part. However, it’s undoubtedly the case that Brexit is discouraging some Europeans to stay in the UK, and more significantly, discouraging other EU nationals to come. And I’m afraid I don’t see a change in the political picture that is going to radically reverse this situation.

We hope for clarity from the Government’s Immigration White Paper in the autumn but on this one, politics will always trump economics. Those commentators who start from the premise that the final settlement will be based on what is economically in the best interests of both sides are looking at this through the wrong end of the telescope. It’s like a married couple who have agreed to divorce then asking whether they should actually stay in the same house because it’s more cost effective.

My analysis focuses on what is politically possible. And that leads me to two broad conclusions: either we’ll have a transition followed by some sort of deal, or a no-deal Brexit and significant disruption. I don’t think we will conclusively be able to say which track we are on until January or February next year.

Already we have seen the steepest annual decline in the number of EU nationals working in the UK – down 86,000 in June 2017 to 2.28 million – and in the vacuum of certainty we are likely to see more Europeans either vote with their feet or continued to be ‘scared off’. Already UK unemployment is at its lowest level since the 1970s and below the point considered ‘sustainable’ by the Bank of England.

The effect on worker availability in sectors like hospitality is obvious and the potential knock-on for wages is clear. Though wage inflation has been largely held in check across the broader economy thus far, it’s an open question as to how long employers can resist this upward pressure. It’s certainly the case that any good staff recently made redundant in casual dining for example will have few problems finding attractive alternative offers!

Faced with this picture, here are my ‘5Ps’ to reduce your exposure to a labour shortage:

KPMG: 5 smart responses to Brexit tightening the labour market
My ‘5 Ps’ to reduce your exposure to a labour shortage:

1. Productivity
Of course, requiring less labour per pound of revenue reduces your exposure to an increase in the price. This may sound like economics 101 but let me reassure, I am not talking about robots pouring pints. But we know from a rollout by one company that ordering via apps for example can lead to 27% more covers for the same number of staff. There is evidence that laying-out choices via the app increases upselling too.

2. Participation
Just as when the oil price goes up, companies drill in more difficult locations, so too must employers look beyond their traditional recruiting grounds. How could you change working patterns to tap into otherwise overlooked sources of potential? Parents of school aged children, or the recently retired may be great sources of flexible labour if you can make the work-pattern... work.

3. Pricing
Changing pricing to encourage customers to pay extra for labour intensive aspects of the service may reduce demand, or increase the capacity to increase pay. For example, offer a free drink at the bar instead of having your room cleaned every day.

4. Package
As in reward package - what can you offer to win the competition for talent? And I think it’s important to look beyond straightforward cash per hour. Consider other benefits that are worth more to your staff than money but cost you less. For example, one national coffee chain offers staff interest-free loans for their deposit on a rental property. For people struggling to find thousands of pounds up-front, the value offered of a home to call their own far exceeds the modest cost.

5. Purpose
This is less tangible but consider the relationship your staff have to you as an employer. What do you offer beyond the Ts and Cs to earn loyalty? What is it that means they will stick with you, rather than jump ship to a competitor who might offer a little more pay per hour? Perhaps it is the camaraderie of the working environment, the leadership qualities they see in your managers, the ethics, the quality of the product or the smiles from satisfied customers. What can you do to improve your “stickiness”? We know, from a 2013 study by the Harvard Business Review* that meeting any one of four basic needs: physical renewal, emotional value, mental focus and purpose led to a 63% greater likelihood to stay at a company.

So, while much of Brexit represents an often confusing and usually uncontrollable rough ride for the next six months, we are not passengers on a rollercoaster. There are strategies we can employ to improve our prospects. Consider the 5 Ps and take actions today that improve your Brexit resilience.

*https://hbr.org/2014/06/the-power-of-meeting-your-employees-needs

For more information, visit www.kpmg.co.uk
Discover Global Network: The future of payments

The origins of the future of payments arguably date back to 1949. When Frank McNamara realised he had forgotten to take his wallet to a restaurant, he conceived the idea of the Diners’ Club International and a general-purpose charge card that would allow customers to pay for meals without using cash. The card would ultimately become the precursor to the credit card and helped revolutionise payments, with the hospitality sector at the heart of driving this change. Since the establishment of the Diners’ Club International, customers and businesses have increasingly moved away from cash payments to cashless. At present, only 8% of the world’s money exists as physical cash. People increasingly earn and spend their money without ever physically handling it. Non-cash payments now account for more than 80% of tourism transactions worldwide. The average Briton makes 286 non-cash purchases per year, while the average American makes 376 and, in Finland, 448. In 2018, there is even no need to carry a physical card. Virtual cards can be connected to mobile devices to allow payments and virtual decentralised currencies can be used to pay for services on the go.

Now, only 20% of UK consumers carry cash, although, interestingly, only 21% of customers would be happy to go completely cashless. Across Europe, 83% of utility payments are cashless, while 23% of public transport payments are made without cash. For the hospitality sector, 54% of payments in restaurants are cashless, while 25% of payments made for lunch, coffee or a snack are now also cashless. The rise of contactless payment has also made paying much easier for businesses and customers. A fifth of all card payments are contactless and there are 92.1 million contactless cards in use in the UK. The contactless limit has risen from £10 in 2010 to £30 in 2017 and 51% of card payments made under the £30 threshold are now contactless.

Across the continent, cashless payments are regarded as “more secure”, with 55% of users indicating they believe cash-free payment has a “high” or “very high” level of security. In the UK, confidence in cashless payments is not as high, with studies suggesting that more than half of consumers are very cautious of contactless transactions.

Europe’s first mobile payment system was launched by Barclays and Orange in 2011, with Google Wallet following later that year. Over half of UK merchants reported an increase in customer demand and the use of “e-wallets” in 2016 and almost two-thirds, 61%, of customers have expressed an interest in making a mobile payment at the point of sale.

Cryptocurrency also continues to make inroads, with Bitcoin, arguably the best-known, having launched in 2009. A decentralised currency, all transactions in Bitcoin are made from person to person online without the involvement of any centralised institutions, without any prerequisites or arbitrary limits. Bitcoin may be bought using centralised currency, is completely digital and stored online. The value fluctuates freely depending on investors’ faith. The network is self-secured by a number of individuals who verify each transaction and record such in public ledger called the blockchain. The current legal status of cryptocurrencies is uncertain and still in its infancy in many jurisdictions. As there is no government-backed insurance, there is no protection or government regulation. However, despite the uncertainty, several banks, notably Swedish bank Riksbank, are taking an increasing interest in cryptocurrency.

For the majority of UK consumers, the ability to pay using contactless card technology is already an expectation. Cash is not likely to disappear any time soon, but customers are used to convenience and payment options of the future will need to be simple, convenient and frictionless. If executed properly, there is an opportunity to gather valuable data and insights, as well as delivering brand loyalty. Regardless of how businesses wish to approach taking and making payments in the future, they will need to be prepared; as the market is likely to be even more innovative and fast-paced than ever.

For more information visit www.discovernetwork.com
Low interest rates and ease of access to an EU workforce have encouraged some hospitality businesses to give too little thought to a future, post Brexit, in which there will be far fewer available workers. Brexit will impact every sector of the industry, especially housekeeping and cleaning, but employers are only just beginning to understand the most significant challenge that Brexit poses: as labour gets more difficult to recruit and retain, wages will inevitably rise. 

Wage costs are already on the increase. The National Living Wage (NLW) is set to rise to at least £9 an hour by 2020; new pension arrangements are an additional expense; Energy, rates and food costs are all rising; A decline in domestic consumer spending is being forecast. On top of these increases will come a reduction in the availability of foreign labour once Brexit comes fully into effect.

Government thoughts are clearly turning to the introduction of some sort of work permit system. But even government ministers have made admissions that a two-year transition period, in which foreign workers will still be allowed in, has yet to be tested in terms of the number of workers accepted. The Prime Minister’s recent announcement that the UK’s future immigration system will prioritise high-skilled migrants, will no doubt have serious implications for workers such as those generally employed initially by cleaning companies. And what restrictions will there be after the transition period? In addition, the hospitality industry will be competing with other sectors including the care industry and NHS, retail and agriculture, for overseas talent.

The impact is that, post Brexit, far fewer available foreign workers will push average wage rates even beyond the proposed increase in the NLW to £9 an hour by 2020. As so many hospitality workers (around 37 per cent) are at the current NLW wage level, the industry will likely find payroll costs are put under severe pressure.

In many ways, the ready availability of foreign labour has traditionally discouraged many employers from sharpening up their act. But when (rather than if) the supply of labour dries up, those who remain will have to be encouraged to work not harder, but smarter. Only by raising levels of productivity can service standards be protected and enhanced.

This applies particularly to housekeeping and cleaning where the potential to automate and mechanise is limited. Cleaning demands high levels of staff motivation and training. As a result, post-Brexit businesses will have to organise their workforce much more smartly, ensuring that they stay motivated, fully understand their job, have the right equipment, and take full advantage of efficient products and resources. Simple to use products, like those in the P&G Professional range work quickly, helping to reduce rework and cleaning time. Clear instructions with icons and symbols streamlines training to ensure products are used correctly.

Survey after survey shows that cleanliness is top of any guest’s wish list. In cleaning, there are truly no shortcuts; cleaning procedure cannot be ignored: just ask those restaurateurs who have been banned from operating because of poor standards of hygiene. Helping employees stay motivated, confident and content is an important step to not only employee satisfaction, but in turn, guest satisfaction.

In a post-Brexit world those hospitality businesses that have planned for a well trained, well equipped, lean staff, the high-wage economy will surely be the most successful. It’s not too late to plan for this now.

To learn more, visit pgpro.co.uk or call 0800 716 854
Representing more than 700 companies in a sector that employs 2.9 million people, UKHospitality speaks for a sector that represents 10% of UK employment, 6% of businesses and 5% of GDP.

UKHospitality seeks to unlock the industry’s full potential as one of the biggest engines for growth in the economy and to ensure that the industry’s needs are effectively represented by engaging with government, the media, employees and customers. Our key priorities are the future workforce of the sector, tackling the excessive tax burden the sector faces and ensuring that regulation on business is proportionate.

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CGA is the data and research consultancy of choice for the out of home food and drinks market, specialising in market measurement, consumer research and location planning.
What sets CGA apart is its unique ability to access the three key types of data (supply, demand and consumer) and then triangulate this data to provide the most complete and accurate picture of anyone in the out of home sector.

From its offices in Manchester, United Kingdom, and Chicago, United States, CGA experts work with many of the world’s biggest consumer brands, including drinks manufacturers, consumer brand owners, food suppliers and wholesalers as well as pub, bar and restaurant retailers and government entities.

Founded in 1992, CGA’s mission is to use its phenomenal data and expert insight of the leisure industry to give these brands the competitive edge, and get them where they want to be, faster.

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