

haysmacintyre

Hospitality Snapshot Survey

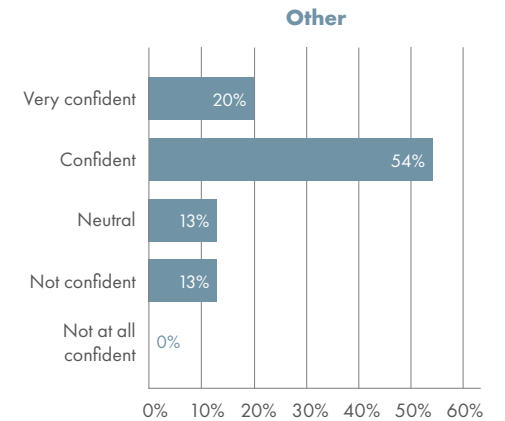
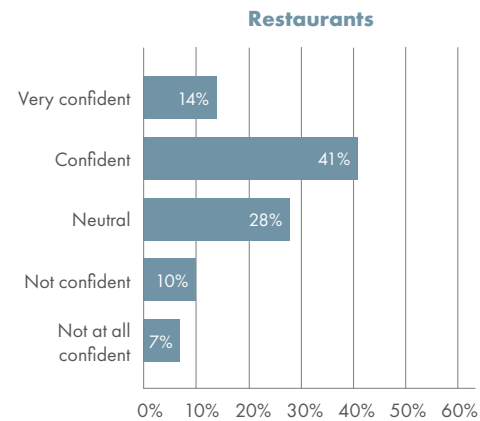
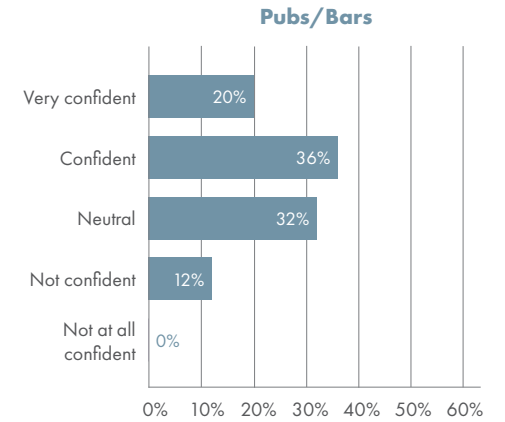
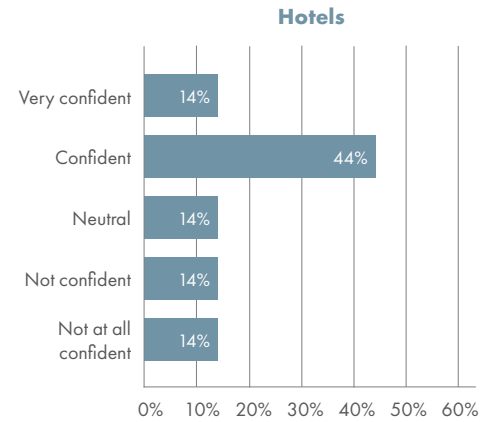
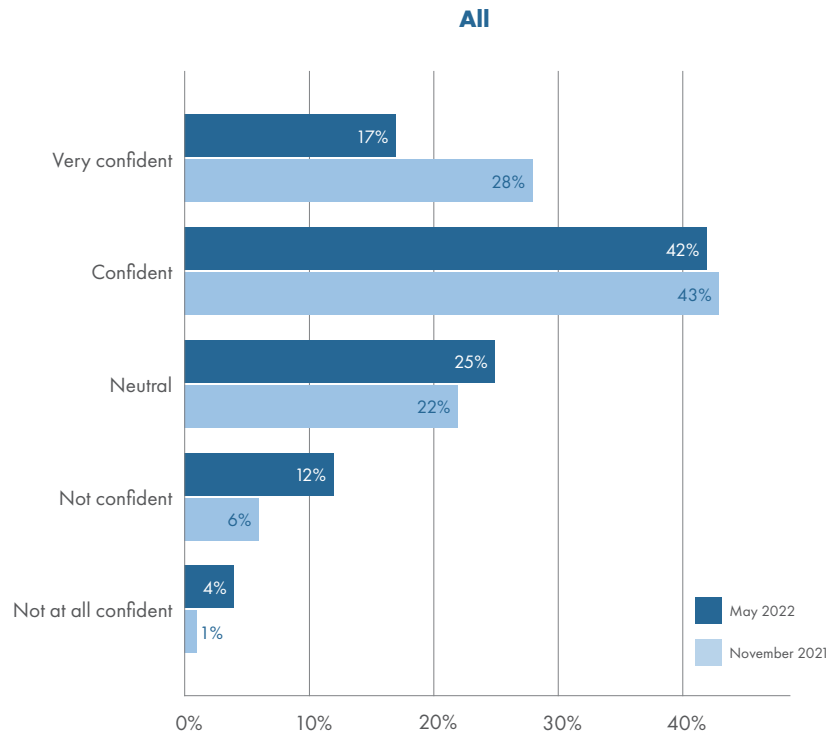
May 2022



Business confidence

How confident are you about the future prospects for your business?

Overall, the majority of respondents remain confident in their business prospects with over 50%, across all sub-sectors, being 'confident' or 'very confident'. Unsurprisingly, however, there has been a noticeable dip in confidence reported by respondents when compared to our previous report in November 2021. The survey, which was conducted before the Omicron variant spread throughout the UK, reported positive trading over the prior three months following the conclusion of significant COVID-19 restrictions, and a significant uptick in confidence. Now we see only 17% of respondents being 'very confident' in their business prospects compared to 28% back in October/November 2021. Furthermore, 16% of respondents are either 'not confident' or 'not at all confident', compared to only 7% in the last survey. This trend is reflected across all sub-sectors. Hotels were the most bullish in our previous survey, but along with pubs/bars and restaurant respondents, we see a more pessimistic mood creeping in.



Outlook for the industry

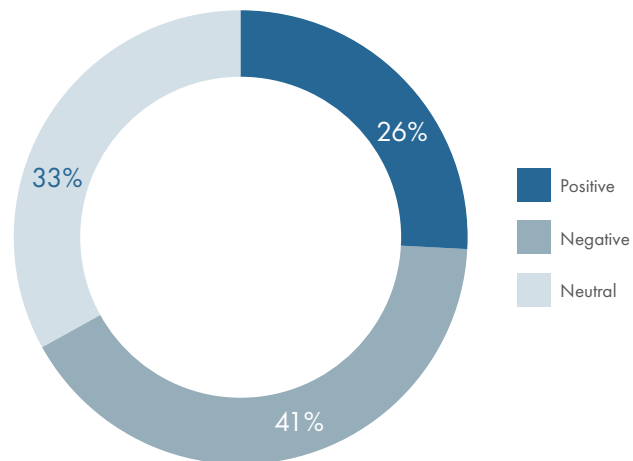
What is your outlook for the hospitality industry over the next six months?

With the Ukrainian war and other factors impacting cost inflation and the cost of living crisis denting consumer confidence, there has been an inevitable check on the post-COVID-19 positivity. Furthermore, many in the sector see challenges ahead with bank debt repayments falling due, along with statutory debt such as rates, PAYE/National Insurance and VAT, previously discounted or deferred, now becoming payable.

The growing threat of the UK economy entering into recession with an associated hit to demand comes at the wrong time for the hospitality sector, and may be insurmountable for a number of businesses. It will be interesting to see whether those operators at the lower end of the price market are worst hit, or whether consumers who are normally regulars at the higher priced establishments seek better value at a lower price point and abandon their usual haunts.

On balance, the outlook for the sector as a whole is more negative than positive. 41% of all respondents reported a negative outlook, with a third uncertain, whilst only a quarter maintain a positive view.

Outlook for hospitality sector



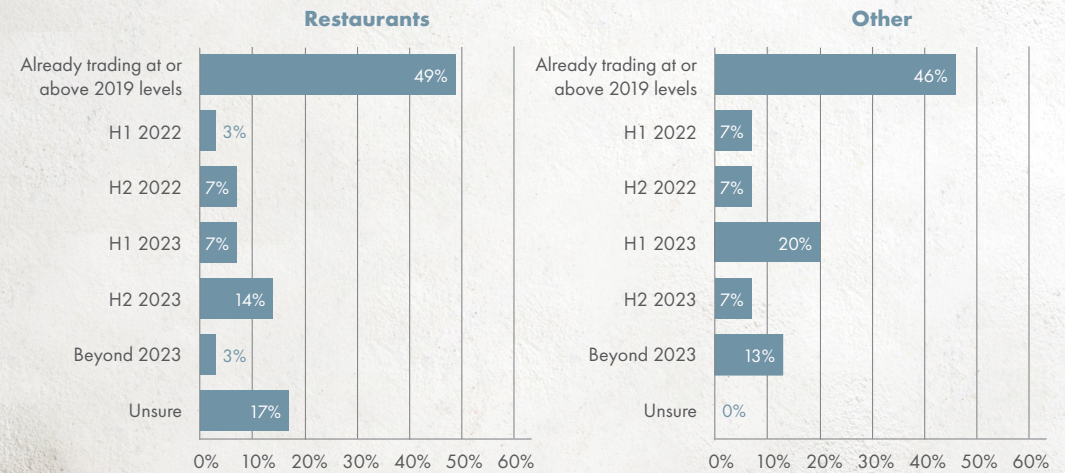
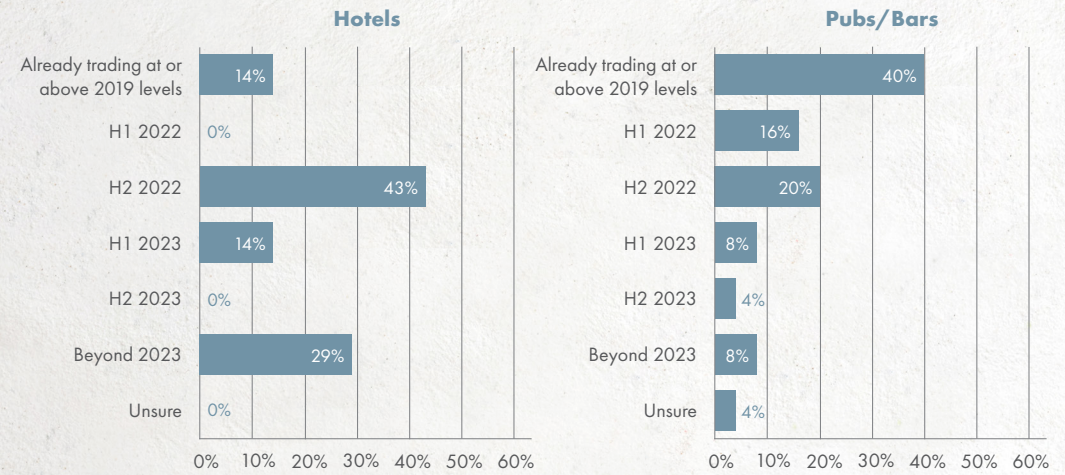
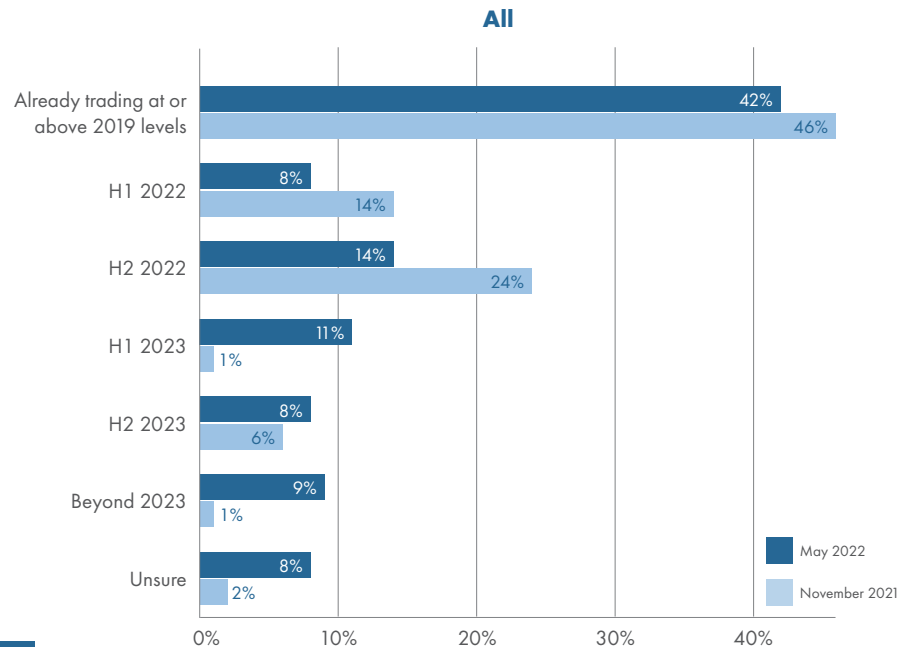
The return to normal trading

What is your current best estimate for when your business will return to 2019 levels of trading?

A more pessimistic view for the post-COVID-19 recovery is also reflected in the outlook for the return to 2019 levels of trading. 42% of respondents report that they are already trading at 2019 levels, which is down from those reporting the same in our November survey (46%). With a further 8% predicting that they will be trading at 2019 levels by the end of the first half of 2022, a total of 50% consider that they will have returned to normal trading by June 2022. This contrasts with 66% of respondents who said the same in our November survey.

Hotels generally were reporting encouraging levels of trade in the second half of 2021 and were optimistic. However, the Omicron variant will have subsequently dented this confidence in their recovery. Whilst the subsequent inflationary environment and demise in UK consumer confidence will perhaps be somewhat offset by a return of the overseas tourist trade, there is more uncertainty in the outlook for the hotel sector.

Pubs/bars and restaurant respondents were previously anticipating a complete return to normal trading by the end of 2022. There is now more uncertainty with more suggesting that the recovery could now fall into 2023: 24% of restaurant respondents and 20% of pub/bar respondents consider that it will not be until 2023 until they see a return to 2019 levels of trading. In the November survey 0% of restaurants and only 4% of pub/bar respondents reported the same. Whilst recent industry data (Coffer CGA Business Tracker) suggests that like-for-like sales for restaurant and pub/bar groups outside of London have been up on 2019 levels in the early months of 2022, this will be tempered by the realisation that with high levels of inflation, real-term sales remain below pre-covid levels.

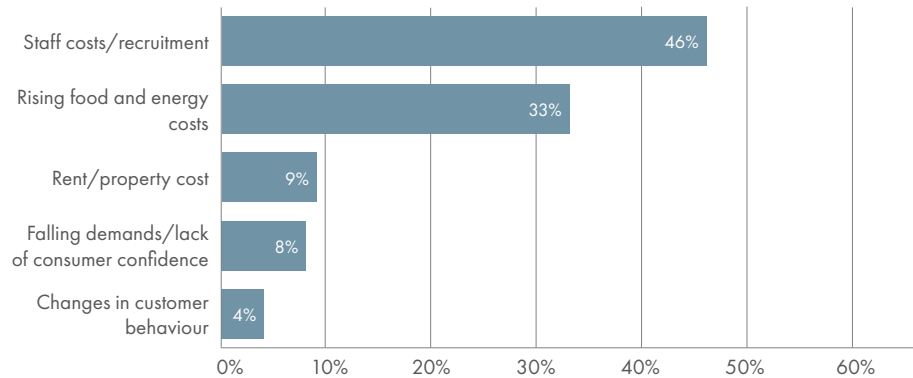


Current challenges

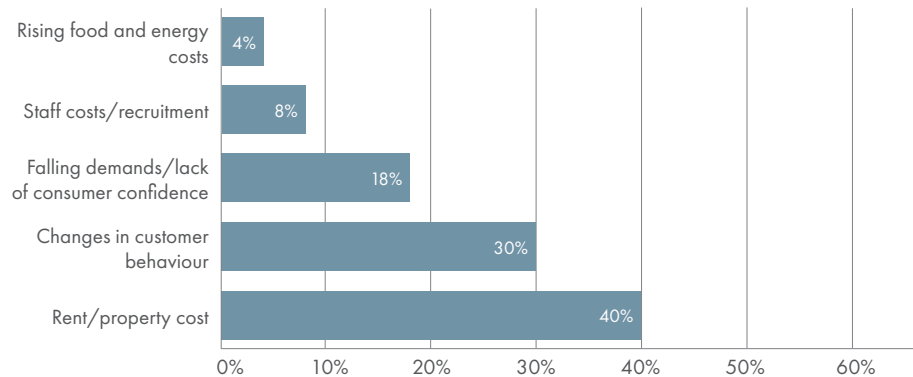
What do you consider to be your most significant challenge over the next six months?

Once again, staff costs/recruitment was highlighted as the most significant challenge facing the industry. This is particularly the case for the pub/bar and restaurant sub-sectors where approximately half of respondents identified this as their greatest challenge. Nearly all respondents (93%) have reported that their staff costs as a percentage of turnover have increased over the past 12 months. Indeed, almost half of all respondents' staff cost percentage lies between 30-39%, with a consistent pattern across all sub-sectors. haysmacintyre hospitality index surveys conducted pre-COVID-19, reported that the average staff cost figure provided by all respondents, up to and including 2019, was below 30%.

Most significant challenge



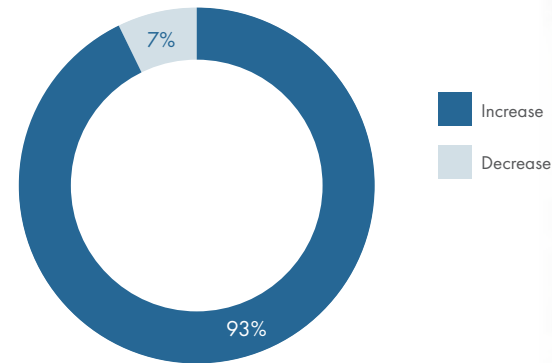
Least significant challenge



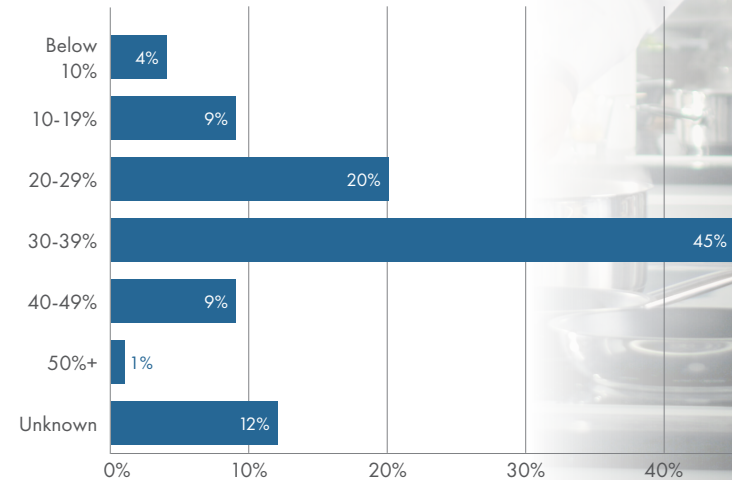
Close behind staff costs/recruitment, the most significant challenge is cost inflation, the rising cost of food and energy prices, which is of significantly greater concern than it was back in our November report.

Whilst a significant majority of respondents identified staff costs/recruitment and supply cost inflation as their top two challenges, interestingly the challenge of falling demand/lack of consumer confidence is not currently highlighted to the same extent. Whilst this issue is clearly of concern and is impacting confidence in future business prospects for the sector, the impact of the cost of living crisis is not yet fully impacting activity today to the same extent as supply cost increases and staffing issues.

Staff cost changes



Staff cost %

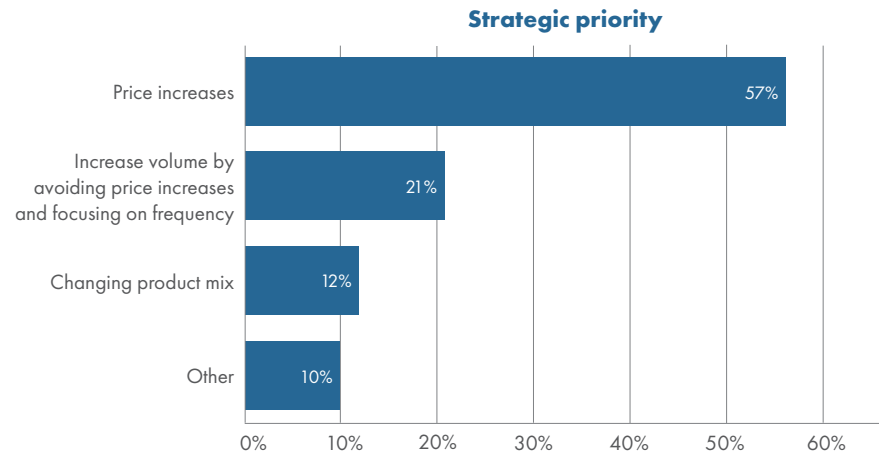


The strategic response

What is your strategic priority to combat the impact of rising costs on your business?

To combat the impact of rising costs on businesses, passing cost increases on to consumers through price increases is the clear strategic priority for the majority of respondents, with 57% taking this approach. Conversely 21% are choosing to avoid price increases to obtain a competitive advantage and increase volumes, with a focus on frequency of customer visits by way of loyalty schemes and such like. This pattern is most obvious for pub/bar and restaurant operators.

Alternative strategies such as a change in product mix or a combination of all these approaches account for the remainder, but it appears that most are choosing between maintaining margins by way of price rises or increasing volume. It will be interesting to see whether the price rise approach will be sustainable in the face of the cost of living crisis and impact on discretionary consumer expenditure.



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Methodology

The Hospitality Snapshot Survey research was conducted by haysmacintyre's hospitality team. The sample, comprising 76 respondents, represents a variety of sizes and types of hospitality businesses across the country including pubs/bars, restaurants and hotels. The objective of the research was to understand the pressures and outlook of the sector.

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Shortlisted 2019 National Firm of the Year



Shortlisted 2019 Tax Team of the Year



Highly Commended Partner of the Year



2021: Best auditor
2020: Best outsourced finance service



Winner: Audit Team of the Year



Top 15 auditor to quoted companies in Adviser Ranking Listing



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