



LEISURE & HOSPITALITY BENCHMARK REPORT 2019



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Contents

Introduction	I
Advisory panel	3
Rob Machin: Head of Membership, Kerb	4
Paul Campbell: Founder, Hill Capital Partners	7
Charlie McVeigh: Founder, Bunker Projects	8
Paul Barham: Founder, Flight Club	10
Jonathan Doughty: Global head of Foodservice, Leisure & Placemaking at ECE	12
David Taylor: VP of UK operations, InterContinental Hotels Group (IHG)	14
Caroline Sanger-Davies: Director of marketing, Chester Zoo	16



Leisure & hospitality is one of those industries that we all think we know extremely well because as consumers we invariably choose to spend some of our disposable income with various businesses within the sector. Undoubtedly the way we select those that receive this money has altered quite dramatically over recent years.

This is down to the dramatic changes that are taking place within the industry – from the impact of the internet, to the growth of delivery, to the increasing demand for more casual dining, the emergence of street food, the renaissance of food markets, and the reduced levels of disposable income that are affecting many younger people.

This report has the objective of investigating all these areas as it takes an in-depth look into all aspects of the sector by speaking to senior executives and influential individuals to ascertain their take on the state of the leisure & hospitality nation right now and their forecasts on where it is headed.

When reading this report you'll find they each contribute their own unique voice, which encompasses the areas of restaurants, bars, pubs, food markets, tourist attractions, and hotels. I believe it delivers a broad and massively informative perspective with great amounts of insight to be savoured.

It collectively provides much food and drink - as well as maybe a little entertainment - for thought to anybody in the industry who wants to better position their business in order to give it the best chance of success in the future.

I would very much like to thank each of the report's contributors whose input has made it possible to produce a document that provides much value to other progressive players out there in the industry.

Many thanks also to Webloyalty for its much appreciated sponsorship of this report.

Glynn Davis,
Retail Insider @GlynnDavis



Today's customers are always looking for something new, their needs and expectations evolve at a rapid rate as they seek for compelling differentiators between brands. Getting this right can lead to advocates who influence others, creating a domino effect that determines those brands that are successful and those who just as quickly vanish. This is pushing brands to constantly reinvent themselves to stay fresh and relevant.

In this year's report we collected the insights and perspectives of several influential senior executives in the leisure and hospitality sector from restaurants, hotels and stores. They covered a number of topics from automation, social consciousness and of course Brexit, whilst also reminding us of the key fundamentals like having an effective brand strategy.

As David Taylor highlights in this report, the Leisure and Hospitality sector is responsible for 1 in 10 jobs in the UK market which means companies are to work harder than ever to attract and plug this skill gap. Brexit is affecting financial confidence and making the UK an unappealing option for migrants, who are responsible for 50% of the workforce. Innovation plays a key part in our ability to continue attracting global talent.

Automating non-customer facing roles will remove friction, save time and reduce costs which will allow more focus on employee satisfaction and providing the best customer

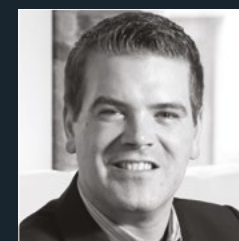
service experience. However, the hospitality industry is people-centric and therefore the latest tech developments won't replace people, software platforms such as Slack, Xero and Deputy will simply enhance people's ability to grow their business with greater efficiency.

The sector has seen a shift to people being more prone to staying in, the physical aspect of restaurants becomes a non-issue and delivery becomes key. Restaurants no longer have to roll-out complicated franchises, instead they can focus on channels that get their product directly to the customer. A franchise roll-out should follow a carefully defined brand strategy and not be a quick solution as it won't retain the rich company culture and can become diluted, the Jamie Oliver restaurant franchise is a great example of a speedy roll-out.

Much like retail, hospitality is increasingly driven by social consciousness and a sense of community as the younger generation changes their spending habits. As a result, start-ups with a social mission are becoming more prominent as the rise of crowdfunding websites help entrepreneurs with investment opportunities.

We're proud to be a part of celebrating this sector and would like to thank Glynn Davis at Retail Insider for the opportunity to be a part of this report. We look forward to seeing how these movements progress over the coming year and continue to support the growth of the leisure and hospital sector.

Ben Stirling,
Managing Director, Webloyalty Northern Europe



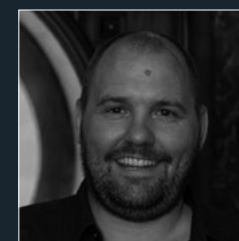
David Taylor
VP of UK operations,
InterContinental Hotels Group (IHG)
David is massively experienced in the hotel industry and is presently VP of UK operations at IHG where he oversees some of the leading luxury hotels in the UK. Prior to this he was COO of the Principal Hotel Company that involved creating a new brand and was general manager of Edition Hotels. He has also held senior director roles at a number of high profile hotels within London.



Jonathan Doughty
Global head of Foodservice,
Leisure & Placemaking at ECE
Jonathan joined ECE as global head of foodservice in 2017 after he spent three years with Jones Lang LaSalle as head of EMEA Foodservice Consulting, which he joined after the business bought his company Coverpoint Foodservice Consultants. He set the company up in 1993 after having initially trained as a chef. Over the years he has been involved in many high profile foodservice projects across the globe.



Charlie McVeigh
Founder, Bunker Projects
Charlie currently runs Bunker Projects, through which he is investing and advising start-up food and beverage businesses. He is also an investor/judge on TV show Million Pound Menu. Charlie previously founded Draft House pub chain that he sold to BrewDog in 2018 and prior to that he was co-founder of Café Anglais Limited. He has earlier experience setting up pub and bar businesses including Bush Bar & Grill and Woody's.



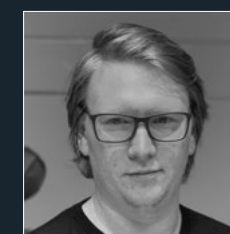
Paul Barham
Founder, Flight Club
Paul co-founded Flight Club in 2013 after holding a variety of financial-related roles beginning in 2006 at Fleming Family & Partners. From there he moved to Cazenove Capital Management before joining Cannacord Genuity Wealth Management and then taking flight into the leisure industry.



Caroline Sanger-Davies
Director of marketing, Chester Zoo
Caroline has had an extensive career in marketing, communications and fundraising with directorship roles in arts and education. Following five years as a freelance consultant, she joined Chester Zoo in 2012 as head of marketing, and in 2017 moved up to the newly created role of director of marketing, responsible for marketing, sales, events, fundraising, membership, PR and public affairs.



Paul Campbell
Founder, Hill Capital Partners
Paul founded Hill Capital Partners in 2010 and through this he carries out private investment and advisory roles across the leisure and hospitality sectors. He invests directly and will also co-invest with other funds and institutions. He is currently an investor and board member at businesses including Hawksmoor, Vinoteca, Blacklock, Tortilla, and Yard Sale Pizza. He has been instrumental in building a number of the UK's most highly regarded leisure businesses including Gourmet Burger Kitchen, New World Trading Company, and PizzaExpress.



Rob Machin
Head of membership, Kerb
Rob was part of the founding team at KERB and has seen the company grow over the last seven years. Having cut his teeth on the streets as the first employee in the Blecker Burger truck, he understands the street food industry from both levels. Now in the role of head of membership he looks after the 90+ KERB members and is committed to the company's ecosystem helping educate and inspire talented entrepreneurs and chefs build their own businesses and take those that excel to the next level.

Rob Machin

Head of Membership, Kerb



Could you briefly explain your own role?

My role within KERB is head of membership so I work very closely with our members who are a 90+ band of street food businesses. KERB is an organisation that is dedicated to the incubation and acceleration of the most innovative street food businesses. We do this through providing access to places to trade and a host of corporate catering opportunities. Recently I've been very much focused on the build and development of KERB's first food hall in Seven Dials Market in London's Covent Garden that opened in September. Having been part of KERB since the beginning and having simultaneously worked for street food businesses, I have some understanding of the forces pushing operators both in terms of supply pressures and the high street.

What elements of the industry do you see changing the most?

Street Food is now part of the landscape of the hospitality industry and this is a huge change from when KERB started in 2012. Before, you would only find these traders at festivals but now you can see Street food businesses everywhere, even indoors. Food halls are opening all the time and these are often the first step that the entrepreneurs we work with have towards running brick and mortar locations. The landscape for street food businesses has never been so open although with that also comes more risks.

What are the major challenges faced?

Places to trade. There are many bad opportunities out there and new businesses often suffer from high rents without the understanding. Many event organisers or estates want Street food or produce markets for "place making", the difficulty comes from the fact that markets need footfall to work.

We are seeing more and more rent increases for all events and festivals as everyone thinks there is more and more money to be made out of food traders. With Street food becoming more and more popular we struggle with a common falsehood that all these traders with big queues are leaving with large bottom lines but this is just not the case.

Cost pressures - this means businesses are having to be clever with how they design menus and help motivate and retain staff. Food, staff, rent, business rates, almost all lines on a food businesses P&L have increased.

What are the biggest opportunities?

Hospitality is more open to new ideas and people from all walks of life than it ever has been. Anyone can enter the industry and this is hugely exciting. At KERB we have a programme called the InKERBator and it coaches and develops young small food businesses as well as giving them space to trade. We have a 50% female founder ratio of members with 27% of graduates opening a fixed site within two years. There is now more scope than ever for talented food entrepreneurs and chefs to break into the market.

Food halls are great opportunities for small food businesses to take on a first seven day operation. There is less upfront capital expense so any small food business can look to take on new sites in these places and in their own time.

Investment opportunities have never been more open to bold founders out there. With crowdfunding websites and the EIS investment scheme those that require investment to take the next step can access it with the right concept and business plan. Street food offers a great platform to test a concept and refine it before you go seeking to make a more costly move and take on a lease.

What are the changes (structurally and operationally) that management must make to ensure they future-proof organisations?

Staffing and culture is something that has to be focused on if you are to continue to compete in the future. Some great restaurants have already seen huge returns such as KERB Alumni Pizza Pilgrims or Bao who have started education systems for their current and future staff. Blacklock also has a great policy of consistently training and progressing staff into new jobs over time. Organisations have to be moving away from the old long hours in a windowless room with lots of shouting. 15,000 chefs are leaving the profession every year and we need to make sure that we work together to make sure that the industry is attracting the best talent.

Finding a way that makes customers think that a business has some credibility beyond making money is key for any organisation that wants to survive now. Whether it is a 'B Corp' or a social enterprise, customers want to be buying into an organisation with a purpose. We are seeing more and more Street food start-ups work a social mission into their business model.

Sustainability is going to be very important. While the whole world has not gone vegan despite the Greggs sausage roll, more and more of us are thinking about our consumption. We are working with the Sustainable Restaurant Association to help us push this forward in our business and allow us to sing about traders sourcing sustainable ingredients.

What impact is digital having on your business areas?

Information being readily available online for all. We have built the KERB Vault that aims to help build the next generation of food businesses through its online community and resources. Information is such a huge empowering tool. This is allowing talented

people to make that first step into owning their own businesses. With all the developments of the online software from Xero for accounts, Slack for communication and Deputy for staffing, it has never been easier to run a food business.

Delivery is having a large impact on the industry with our members starting to adopt this when moving into more permanent locations. The difficult part is balancing the real-time customers with orders taken online.

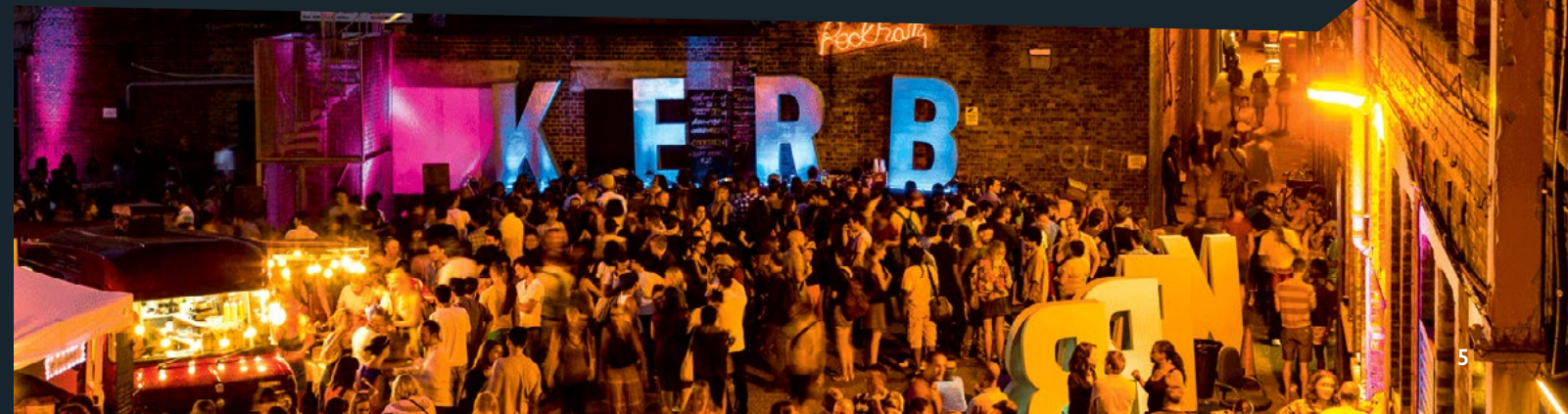
Is the role of people (alongside technology maybe) changing and is there an opportunity to empower them to help differentiate businesses?

Service is key and that only comes from people. This will start to work in the places that invest in it and employ it well. Recently, I went to test the "Enlightened Hospitality" of Danny Meyer's Shake Shack and was blown away by the warmth and consideration of the staff in a fast food outlet. We talk to our traders about this often giving away Danny Meyer's book to young entrepreneurs. One of the benefits of having business founders' onsite at our events and markets is that our customers find it engaging.

How do you handle, and drive, innovation in your business.

We have a Slack group, which allows our members to talk and we are always part of the conversation. This helps us with service design and finding new markets to take our cohort of traders to next. Having a constant conversation means we are always listening to what our members need as well as a group of regular customers.

We are built around moving quickly as we appear in the morning and disappear in the evening in five locations across London, which allows us to take on a variety of different opportunities if they work for both KERB and its members. Our traders are all small businesses so they are free and incentivised to innovate and develop their menus all the time.



How much of an impact are younger consumers (Millennials and Gen Z's) and their behavioural changes having on your business and how do you adapt to it?

Street food has always appealed to the younger consumer and was born out of the social media generation. We have seen a large millennial customer base already at Seven Dials Market since its opening.

How would you advise businesses to divide their efforts between projects that optimise the existing organisation versus those that offer the opportunity to generate new revenue streams?

This has to be individually assessed on the size and past of the business in question. Food businesses need to keep their old classics going while trying to add to that collection. Some clever businesses are developing or buying new brands to diversify from their own remits.

If you can get something working and making sales in one place, then it is likely that you can expand on that rather than think of new ones. Pivoting by changing brand and product can work but it is a big bold move for the founder going through the process.

How do you see the leisure & hospitality changing over the next 5-10 years?

Food Halls and Markets. With towns across the country starting to build more street markets and indoor food halls this is only likely to be an ongoing trend. The high street seems to be moving towards somewhere we can break bread together look at the successes in Altrincham and Macclesfield. This new rendition of an old idea will grow and mature across the country.

Hospitality with a purpose. More social enterprise-based brands will start to appear as consumers want to feel they are contributing to solutions to the planet's problems.

Dynamic Pricing / Targeted Discounting. We are starting to see more apps that are working on this with half price after 3pm in some places. The 'Surge' price is a powerful tool during peak times and something that many places could use to spread demand out during the day. We could easily see a Pret sandwich costing 50p more at 12:30pm compared to 3:30pm.

Gaming Brands. Flight Club, Pong and Swingers are all booming. Four Quarters, an arcade bar is also showing good signs of growth. These concepts are likely to be appealing to more and more of the population as gaming natives start to earn more and more. Adding the growth of ESports also shows we may even start to see more hospitality leaning into this market.

Q&A

Paul Campbell

Founder, Hill Capital Partners



Could you briefly explain your own role?

I invest in and join the boards of very ambitious, high growth businesses across the leisure industry - including restaurants, bars, gyms and hotels.

What elements of the industry do you see changing the most?

An increasing polarisation between the prospects for successful, well executed formats (which are thriving) and weaker offers (which are failing or struggling). My job is to find, invest in and support the winners.

What are the major challenges faced?

Competition and cost inflation - but it was ever thus. A new factor is the tendency of banks and investors to be a bit "down" on the entire industry because of some well publicised failures. I would argue there are some very clear reasons why certain businesses are failing, whilst others are thriving.

What are the biggest opportunities?

To expand great businesses into a softer property market with weaker competition. To be positive and on the front foot whilst others are contemplating their navels!

What are the changes (structurally and operationally) that management's must make to ensure they future-proof organisations?

None in particular! The basics remain the priority and are the same as ever - great products, reasonable pricing, outstanding hospitality and service, well trained, nice, motivated people and brilliant environments. Get all of that right and the chances are your business will succeed.

What impact is digital having on your business areas?

Delivery channels are important and it's a great opportunity for many businesses - but not all. Social media is massively important - younger customers form an opinion about a new concept after a few clicks.

Is the role of people (alongside technology maybe) changing and is there an opportunity to empower them to help differentiate businesses?

Good businesses have always empowered their people. A new factor is the absolute expectation amongst a new generation of people that they want and need to be empowered in their work.

How do you handle, and drive, innovation in your business?

I love to see innovation - but not for its own sake. It's great if it genuinely improves the offer and experience for guests. Occasionally tech innovation can get in the way of the basics being delivered well so businesses should tread carefully in this area.

How much of an impact are younger consumers (Millennials and Gen Z's) and their behavioural changes having on your business and how do you adapt to it?

Massive - because they are the current opinion formers and the future customer base. They are fickle so you need to be bloody brilliant to gain their respect and loyalty.

How would you advise businesses to divide their efforts between projects that optimise the existing organisation versus those that offer the opportunity to generate new revenue streams?

The best businesses do both well. As in life, balance is everything.

How do you see the leisure & hospitality changing over the next 5-10 years?

Hugely - but that is always the case and change is what makes the industry so exciting. Property will get cheaper for outstanding operators as the more sophisticated landlords appreciate the benefits of having a strong, attractive, high quality tenant - rather than just chasing rent yield.



Charlie McVeigh

Founder, Bunker Projects



Could you briefly explain your own role?

I'm an investor and non-executive director having previously sold Draft House in 2018. I've built and sold five businesses in leisure & hospitality. I'm agreeing terms with a number of companies and will shadow them for six months to see if it works out. The companies include Butchies Fried Chicken, Breakfast Club and We Are Beer.

What elements of the industry do you see changing the most?

There are two conflicting factors that ultimately cannot resolve themselves. These are the need to automate in order to reduce costs and at the same time there has never been a time that has needed better customer service. These need to be resolved. In the next five to 10 years you automate most non-customer-facing aspects such as kitchen activity and delivery and then work out the extent to which service can be given but without it costing the earth. This will be the challenge because of the need to control costs.

The other issue is the conflict in the customers' mind of eating out or eating at home. There is a disconnection between bricks & mortar brands and delivery brands. In a lot of countries people do not want to go out as they feel safe at home. The overall spend in hospitality is growing, possibly because of delivery, which gives me cause for optimism.

What are the major challenges faced?

The biggest challenge is how to scale a hospitality business while retaining the culture so the business becomes better and not worse. Recently, brand equity got diluted by expansion. It has not worked out well. In the US they expand through franchising the brand that will have been carefully defined. A lot of private equity-owned brands failed, which has

led to hospitality being fundamentally broken so it is not seen as investable, and therefore valuations are low. These companies did a bad job with their staff and there is an element of saturation. The likes of Byron did not do what Franco Manca is doing, it instead had forced speed of roll-outs. You need to gauge the correct speed of roll-outs for a brand.

What are the biggest opportunities?

I remain convinced there are opportunities. Nobody knows how to crack it but there will be opportunities in Continental Europe. Places like France and Germany do not have brands like we do. The branded operators do not expand there, but some are starting to do it. It's tough but it has to be done. There is no looking beyond the UK because it is seen as too difficult. It's seen as less crazy to do to Bristol than Paris. There is little appetite and a fear of franchising. In general, growth is easier the more you go down the complexity scale. QSR is easier as it is more about systems and automation.

What are the changes (structurally and operationally) that management's must make to ensure they future-proof organisations?

You can't keep the blinkers on and do the same thing. McDonald's does nothing for some years and then has a crisis and gets back on its game. The problem with the UK is that it is short-term and has a parochial mindset which means it does not re-invent itself. KFC results are off the charts – it's the same product but they've repositioned it – and McDonald's now does table service and touch screens. It's innovating and has the confidence to invest in it. If they do not do it then it's the slow road to perdition.

I'm a believer in selling to your people and they will then sell to your customers. This should be a company's first focus. You've got to do this or you can forget about your customer being happy.

What impact is digital having on your business areas?

For me the penny has finally dropped about how Instagram can help. It's a very direct sales tool now that they have a direct link through from the images. You could link for Click & Collect or to a white label delivery service such as Slerp. Clearly Uber and Deliveroo are the first choice for apps so it's about understanding how to drive traffic and get direct sales that do not involve the delivery aggregators.

Is the role of people (alongside technology maybe) changing and is there an opportunity to empower them to help differentiate businesses?

There is a big divide between those people doing repetitive tasks (that will be automated out) and who are increasingly expensive, and so the economics does not add up, and the customer facing people. However, they all need a sense of mission. They need to be motivated to get up in the morning and work for a brand. Maybe Pret, Nando's and McDonald's back of house staff have a mission but I suspect operators are struggling to keep people. There is little loyalty in repetitive roles. The chef role is being deskilled so often only low skill levels are required.

With Draft House most of our employees in front of house were University educated and were fascinated by craft beer and it was a fun environment. There was also a sense of mission to sell great beer to the world. This made it easier to recruit. At Breakfast Club they have a charity programme, which gives a sense of mission and they therefore have long serving staff. They have only a rotating 40% and these are all back of house roles.

How do you handle, and drive, innovation in your business?

It has to come from the top and you need to invest in people who are out there understanding the market, competition, technology and other sectors. Then you need to work out how to use this research to better the business. It's not easy to do. You'll invariably get lots of emails about things like new payment systems but looking at a two-year view and working out where the investment goes is really difficult. Change is difficult and so is integration of new systems. It's not about knee jerk reactions – such as saying we need Instagram so let's get a social media agency and pump out

content. Such strategies have to be well thought through and not be about bolting things on. An Instagram strategy would have to relate to other parts of the business.

How much of an impact are younger consumers (Millennials and Gen Z's) and their behavioural changes having on your business and how do you adapt to it?

Value and a sense of purpose are key things today for this group. Our people at Draft House were from this generation and keeping them happy was the same as with our customers. What we weren't so good at was creating a real sense of purpose – with a charitable element or similar.

How would you advise businesses to divide their efforts between projects that optimise the existing organisation versus those that offer the opportunity to generate new revenue streams?

How do you focus on tomorrow and also three years into the future at the same time? That's a challenge. In general, it's about getting good at what you are and then getting better at it. It's not about looking for greener grass.

How do you see the leisure & hospitality changing over the next 5-10 years?

There is a strong argument that people will go out less. The challenge therefore is to give them reasons to socialise physically. Hospitality will fulfil this function otherwise the human race will die out. Automation and AI will be a fundamental part of operations but I hope people will remain at the heart of businesses. I expect that they will.

Despite its size as an employer the hospitality industry is very fragmented. If the UK does not see some big [domestic] players then they will come from elsewhere. We'll see consolidation with foreign ownership. The UK will go nowhere without the wherewithal, the gumption and the cash to create global businesses. This is unlike the US and Chinese companies. Senior managers in our businesses don't have global aspirations.





Paul Barham

Founder, Flight Club

Could you briefly explain your own role?

I'm the COO and co-Founder of Flight Club, alongside my friend and co-founder Steve Moore. It all started in a pub in Devon; we were having a catch-up when we saw a group of young people going crazy over a game of Killer on a dartboard. This wasn't traditional darts – it was loud, fast and exciting and we saw an opportunity. We'd always looked for more than just food and drink when we went out with friends, usually some kind of activity. Flight Club gave us the chance to have that all in one venue – great food and drinks with the high energy of Social Darts.

What elements of the industry do you see changing the most?

Recruitment - historically, recruitment in the hospitality industry has relied on the talented individuals from overseas attracted predominantly by the strong Pound and to continue to improve their English. Brexit has impacted this flow of talent, which means it's a greater challenge to recruit and retain from overseas alongside our English nationals. This needs to force a long overdue change within the industry to holistically review the people function and set out all the benefits that makes hospitality a great career option alongside any other.

Technology - hospitality is slowly catching up with other industries in terms of creating an integrated infrastructure to run the business that benefits the leaders, people and customers alike. I see this change as a continual process utilising technology to enhance the customer experience without replacing what hospitality is. Being hospitable; people looking after people.

Immersive/experiential – staying-in is the new going out. At your fingertips in the comfort of your own home you have all the TV you could want, all the clothes shopping you need, and your favourite restaurant food delivered to your door. The industry needs to continue to innovate in terms of the environment the customer consumes to give them an experience. If you don't change you will be left behind.

What are the major challenges faced?

Remaining fresh and relevant is challenging; people are always looking for something new, which has caused a lot of change in the industry in recent years and trends are becoming outdated quickly. We need to remain vigilant and keep a keen eye on what guests are looking for from their nights out. To ensure we remain fresh for our customers we've launched new games, such as Snakes and Ladders, and Flight Club Stories, which is an industry-leading innovation that collates content throughout a guest's time at the oche. From capturing winning shots to loop cam videos, guests can relive their Flight Club experience time and time again as their personalised Story is sent to them the following day. Internally our business has seen a huge pace of change so it's been about working in tandem with our people in order to continue to grow the business.

What are the biggest opportunities?

We want to get as many people stepping onto the oches and playing social darts as possible! We're always on the lookout for opportunities for us to expand both nationally and internationally. Due to being so technology-focused, there are countless opportunities for us to innovate and adapt. As well as Flight Club Stories we're exploring new concepts, and this year we are pleased to be introducing our new brand, Electric Shuffle, to Canary Wharf!

What are the changes (structurally and operationally) that management must make to ensure they future-proof organisations?

A continuation around the answers given for the industry changing, namely great people and innovation. Operators should build everything for scale and remember that you will never stop learning. In addition, company culture is key; we live and breathe our values which are warmth, togetherness, innovation and passion. These, combined with remaining relevant, true to the brand, inspirational and invested in by all team members, is key to future-proofing as it fuels and drives the entire organisation.

What impact is digital having on your business areas?

Digital is having a huge impact on the hospitality industry. Word-of-mouth is one of our biggest referrals and we love that our guests want to shout about us on their social profiles. We embrace social media as it's about having fun, which makes it a great way for us to raise awareness about Flight Club as well as to build relationships with our existing guests. Technology enhances our guests' experiences, from the state-of-the-art dart tracking technology to Flight Club Stories; these make each and every one of their visits unique, regardless of whether it's their first or their fiftieth visit.

Is the role of people (alongside technology maybe) changing and is there an opportunity to empower them to help differentiate businesses?

For us no, people have always been the most important thing in our business. Our people take care of the product and our guests. It's absolutely vital that our team feel valued, that their thoughts and opinions matter, that they are empowered and supported to differentiate or drive the business forward, otherwise in all honesty, we might as well all go home.

How do you handle, and drive, innovation in your business?

Innovation is written into our business objectives; we're forward-thinking and customer-focused. We don't benchmark ourselves against our competitors, instead, we are constantly striving to be the best for our guests by continually improving. Our Flight Club Family are at the heart of what we do, and we pride ourselves on their passion, enthusiasm

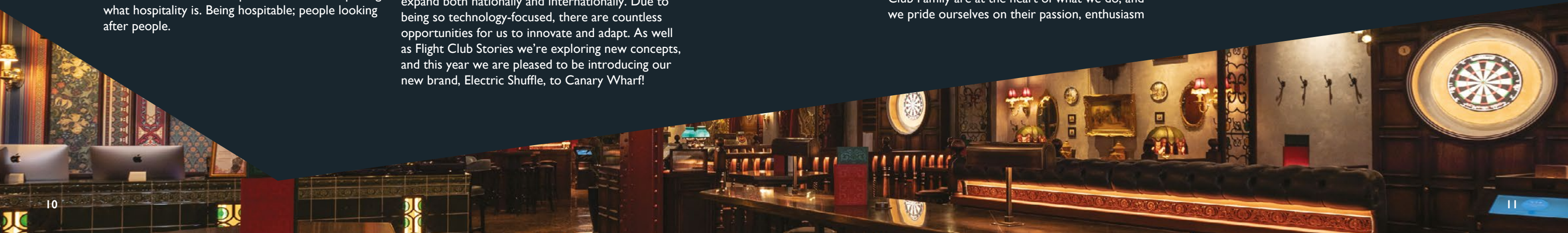
and their drive and we regularly encourage them to give feedback and suggestions. Furthermore, we're constantly looking at new markets that we can bring some unexpected, ridiculous, joy to.

How much of an impact are younger consumers (Millennials and Gen Z's) and their behavioural changes having on your business and how do you adapt to it?

Younger consumers are always on the lookout for the latest trends and are keen to try something new. This encourages us to continually look at ways to rejuvenate our guests' experiences and keep them coming back for more. Their ideal social self builds a huge aspect of their self-identity; by sending each of our guests a personalised Story they can share this on their social profiles to showcase their Flight Club experience. Furthermore, their lifestyle choices have a huge impact on our product offering. For example, we have expanded our menus to now include vegan, vegetarian and gluten-free offerings and we've also created our very own Brunch Social which has a twist on the classic by including Social Darts and bottomless pizza!

How would you advise businesses to divide their efforts between projects that optimise the existing organisation versus those that offer the opportunity to generate new revenue streams?

This is a great question as innovation and growth is the lifeblood of your future business, but it creates technical and operational debt that has to be repaid. If you fail to innovate, or if you grow too quickly without strong enough foundations, you will fail. It's a balancing act, and again it's great people leading their respective functions, whilst seeking advice and guidance from those who have previously been there.





Jonathan Doughty

Global Head of Foodservice, Leisure & Placemaking at ECE

Could you briefly explain your own role?

I co-ordinate and drive forward all food, leisure and placemaking in ECE that operates 180 shopping centres, hotels, office buildings and travel hubs. I've got a team of five and an extended network of 20 ambassadors in the business. I co-ordinate and bring together all the relevant parties for a new centre at the early stages. I'm also a discoverer looking across the old parts of the business and seeing what to keep and seeing what's new. A big part of the role is to create shape-shifting with existing brands and to stretch a concept.

What elements of the industry do you see changing the most?

Environment, product range (menus) and service are changing. They are all going to be at opposite ends of the spectrum, with the mass in the middle going one way or the other.

Environment – At one end it will be totally minimalistic where it is all about the food such as markets and pop-ups where the food is king. At the other end will be places like Novikov, The Ivy and Park Chinois with elaborate venues.

Product range (menus) – People now want to go for the best pizza, best burger and so menus will be short and reduce from 400 items to only 40 whereby all the items will be great. At the other end will be places with an abundance of choice such as very big restaurants and the food halls.

Service – At one end there will be virtually nothing, no engagement, no human interaction such as vending machines where you open a window, take your food, and sit inside. At the other end will be venues where you value human service and you go for the engagement. The experience is what it is all about.

It is the lump in the middle ground that is being squeezed to the extremes. The economic model is dictating this.

What are the major challenges faced?

There is one major challenge: people. Brexit has decimated people's confidence. It's killing confidence financially. For domestic consumers it's dire. It's been touch and go that market would sustain the increase in rents and business rates but then there was the perfect storm when adding in Brexit. People who worked here are leaving and so wages have gone up. The pool has shrunk incredibly. In most big restaurants at least 50% of the team will be from outside the UK.

What are the biggest opportunities?

It is in those countries where foodservice has not yet developed and also places in the market for specific new food types. Germany is a good example of an undeveloped market where the older consumer habits are fading and their children do not want to eat the same things as their parents. Certainly they don't want as much meat. We've already seen the market develop for better burgers and better pizzas but we'll also see this happen to a multitude of other food types.

What are the changes (structurally and operationally) that management's must make to ensure they future-proof organisations?

Structurally it is the ability to deliver with fewer people. If you have lots of bodies then it's not a sustainable business model. You need to either automate or push tasks down the supply chain. Things like scrambled eggs will be pre-done and Nestle soups will be bought in. About 70% of Hollandaise sauce in London is out of a packet. More of this will happen. If a steak is cut the wrong way and it takes 12 minutes to cook rather than six then it's not good. You need consistency and to remove tasks that don't add value. Reserve labour for what's important and use machines where it works. For flipping burgers, who cares if it's a machine, especially if it does it better. There are so

many consultants out there shaving seconds off the production line. The kitchen is an assembly line – you want to do it faster, serve more people, and use less labour.

What impact is digital having on your business areas?

Massive impact. The digital invasion has enabled us to sell direct to consumers via aggregators such as Uber and Deliveroo. It has opened up an enormous market. Foodservice companies are paying a heavy price but they are seeing huge increases of 30/40% more turnover. But it does mean that we will eat ourselves with dark kitchens. Restaurants do not need restaurants anymore. Previously, you would need five branches across London and now you only need two and five or six delivery kitchens. The challenge is getting the product to the customer in the best way. And do I want to sit in a restaurant with guys wearing motorbike helmets.

Is the role of people (alongside technology maybe) changing and is there an opportunity to empower them to help differentiate businesses?

Yes there is. It's back to service and the role of the person. Most food today is good enough, at an acceptable standard. Think of it like a cupcake – the real icing is the people. It's about real value-add. It's about much more than bringing the food from the kitchen to the table. Technology is very much an enabler but if a person has a tablet in their hand then it helps but the best restaurants have people who remember the order. But it will be tough to get these people. However, we will see a migration from retail to foodservice but they will have to be able to work evenings and weekends.

How do you handle, and drive, innovation in your business?

We've got a lot of innovation in our business. The German market is behind the UK in terms of the rise of foodservice and digital so we can handle it by predicting the future. We are building an armoury of tools that we can introduce. It is important innovation has a home and is wanted. We're talking to our teams about what is happening outside the business. We do not need to do this but if things decline then we'll need a set of tools and we want them to be ready to use.

We are looking at putting residential next to shopping centres and developing build-to-let. We have a centre with three car parks around it and we're consolidating them into one high rise car park and putting residential on the other two. Developments in Berlin now have a quarter of the parking spaces included.

How much of an impact are younger consumers (Millennials and Gen Z's) and their behavioural changes having on your business and how do you adapt to it?

They have had a massive impact on food. They are deciding which restaurants are successful or not. They find the fakes, and discover the new. If a claim is made about food then they'll tell the restaurant if it is not true. They also know what they want. If you have a bad meal somewhere then you can influence thousands of people. This can make success or guarantee failure. ECE had no social media two years ago but now we've got some specialists and an agency.

How would you advise businesses to divide their efforts between projects that optimise the existing organisation versus those that offer the opportunity to generate new revenue streams?

You should optimise your business first through the likes of being as efficient with labour as possible but you should in parallel also look at other things like brand stretch. To believe that the revenues will continue in your existing business is wrong. Something will happen to change things. We have a number of things that we've been testing and so we can pull them out if we need to. They can be ready to go in a short space of time.

You can't afford to just be good at your existing business. Vapiano focused too much on margins for its shareholders and floated at Euros 25 and then dropped to Euros 4 as they forgot the customer. They didn't evolve anything. It's a challenge to keep a business on its toes and going in the right direction. You have an obligation to listen to customers. Steve Easterbrook, CEO of McDonald's, is knocking it out of the park as he's made changes. The assumption is that customers don't change but they'll change radically in only two or three years.

How do you see the leisure & hospitality changing over the next 5-10 years?

It's a bit like retail and leisure, which were miles apart but have grown together. Leisure and hospitality are the same thing. They require each other. A hospitality business can't survive unless it offers a leisure experience. Leisure and hospitality are becoming one. In terms of profitability hospitality needs food and beverage. The likes of Flight Club and Puttshack all need F&B. Their P&L's are built around F&B.

David Taylor

VP of UK operations,
InterContinental Hotels Group (IHG)



Could you briefly explain your own role?

I'm the Vice President of Managed Operations at Intercontinental Hotels Group, looking after 18 hotels in the UK that we manage for a variety of owners. I'm responsible for all aspects of the performance of these hotels.

What elements of the industry do you see changing the most?

The hotel industry is ever-evolving and has been during the 25 years that I've been in it. In the UK, the makeup of the supply has undergone some major step changes in recent years, with the growth of homestays and private accommodation letting. And I don't think that will change any time soon. We're in an incredible time for innovation and I'm excited to see how that will continue to play out.

What are the major challenges faced?

Talent is the number one challenge we're seeing in our industry. The WTTC recently stated that tourism and hospitality account for around one in 10 jobs worldwide and around four million jobs in the UK – predicted to reach over 4.6 million jobs by 2029. Our industry is the third largest private sector employer in the UK and heavily reliant on inbound talent.

And the challenge isn't letting up. KPMG recently released statistics stating that 12-24% of people working in hospitality in the UK are from the EU – in London this is much higher (25-38%). For hotels in London it's 22-34%. They forecast that the UK hospitality sector needs 62,000 new EU migrants per year to, maintain its current activities, and to grow.

So that's a challenge we need to face in to. We're working to help more people view the sector as an attractive industry to work in. Beyond the myth of entry-level jobs, we need to paint a better picture of the fascinating careers you can have: our CEO trained as a chef, while other senior leaders started out as porters or kitchen assistants. And big hotel groups can offer career paths for a range of professions such as lawyers, architects and commercial experts.

What are the biggest opportunities?

VisitBritain predicted that the tourism industry in the UK will be worth over £257 billion by 2025 – just under 10% of UK GDP. And according to WTTC, Travel & Tourism is the second-fastest growing sector in the world behind Manufacturing. So it's clear there is a huge opportunity for IHG to continue to grow here in our home market.

We are focused on making sure we have the right proposition for our guests in the UK, whether that's through expanding our core brands like Holiday Inn or launching new brands like voco and Kimpton. The UK provides so much demand, we just need to make sure we're providing it.

That's why IHG did the deal with Covivio to bring the Principal portfolio (and me) on board. It provided the platform to become the UK's largest luxury hotel operator, launching Kimpton at pace with three having opened within a year. It also allowed us to grow voco, our newest upscale brand, in our home market. So we're thinking differently about how we can leverage our partnerships to provide the right offering for our guests. And I'm just the lucky benefactor who gets to spend my time in these beautiful properties!

What are the changes (structurally and operationally) that management's must make to ensure they future-proof organisations?

Building more flexible staffing models will be key to maintaining operating margins given the ongoing increases in labour costs.

What impact is digital having on your business areas?

Technology is vital and increasingly integrated into our daily lives. At the same time, the hospitality industry is fundamentally people-centric. Technology will never replace humanity. Rather, it should enable greater ways to provide hospitality. Technology is fundamental to driving superior experiences for our guests before, during and after they stay with us.

Digital innovation is nothing new to us though. We have a long history of innovations that meet evolving consumer needs and deliver value for owners:

- First computerised hotel reservation system in the world, more than 50 years ago.
- First hotel reservation system to link directly with airline and travel agents systems - bringing together the full power of the travel industry.
- First company to offer online bookings.
- First to offer a booking app across all platforms, with 11.3 million downloads since 2013.

Is the role of people (alongside technology maybe) changing and is there an opportunity to empower them to help differentiate businesses?

The hospitality industry is fundamentally people-centric. Technology will never replace humanity. Great service is at the heart of all of our brands, and is one of our key drivers, but this looks different for each branded proposition. For example, Holiday Inn Express has a limited service because we know our guests want to just get on with it, whereas InterContinental has a hands-on luxury service that we know our guests' value.

And that approach to service is evolving, which brings the rise of brands that tap into a distinctive proposition. Kimpton is a great example of this, delivering "luxury without the attitude" – an approach that welcomes, acknowledges and celebrates the individual, without the fuss. We're creating immersive guest experiences that foster genuine human connections. And we're seeing a great response from guests since launching this unique offering in the UK.

How do you see the leisure & hospitality changing over the next 5-10 years?

It's a very exciting time for the industry in this country. We've just had the welcome announcement of a UK tourism sector deal, so hope that the industry will be recognised as a real driver of growth. The challenge is getting everyone to realise, through investment and policymaking, the value unlocked by tourism. One in 10 jobs globally are found within hospitality and tourism. So, our industry should be recognised by governments as the powerhouse it is.

I hope that more people view the sector as an attractive industry to work in. Beyond the myth of entry-level jobs, we need to paint a better picture of the fascinating careers you can have. My first job was a Bell Boy and I've never looked back from there. I hope that this industry can lead the way in sustainability, which only continues to be a priority for both employees and guests. I am excited to see us make progress in this space.





Caroline Sanger-Davies

Director of Marketing, Chester Zoo

Could you briefly explain your own role?

I lead the marketing division at Chester Zoo, which is a visitor attraction and a conservation and education charity. Within my portfolio is marketing, PR, public affairs, fundraising, memberships, sales & events. I work with fellow directors to set the strategic direction of the zoo's activities.

What elements of the industry do you see changing the most?

I believe we will see a growing demand for convenience. Pre-booking entry tickets is already the norm, and I think we'll see an increase in people wanting to shape their visitor experience in advance of the day. We have to respond by making our online experience even stronger. But more than anything I think we will see our visitors demanding evidence of sustainable business practices, which will be a key factor in where they choose to spend their money.

What are the major challenges faced?

For us a major challenge is how to encourage our visitors to use sustainable transport to get to us, when the transport network is in many parts poor, and expensive to use.

What are the biggest opportunities?

We see a huge opportunity to help our visitors to understand what they can do to help wildlife and our planet, at a time when it's most needed. The zoo experience creates opportunities for people to connect with wildlife and learn about the simple steps each of us can take to make a positive difference to their survival. With nearly two million visitors (in 2018) we can really make an impact.

What are the changes (structurally and operationally) that management's must make to ensure they future-proof organisations?

It will vary for every organisation; the most important thing is to remain agile; changes internally must be continuous to keep pace with what's changing in the world. Investment in research and understanding new behaviours and trends is vital for the industry.

What impact is digital having on your business areas?

It continues to drive change. Constant investment is required in digital technology both for the online experience and the visitor experience here at the zoo. Embraced and used well it can help us do more, offer more, and achieve more.

Is the role of people (alongside technology maybe) changing and is there an opportunity to empower them to help differentiate businesses?

People and their skills have always been key to a successful visitor attraction. I'm a firm believer in the ability of our team to create an amazing welcome, share knowledge and passion, and continually improve visitor experience. It's their passion which differentiates us and contributes to such a memorable experience. We must feed that passion through creating a great work environment, sharing knowledge and giving them valuable opportunities to help us achieve our mission of preventing extinction.

How do you handle, and drive, innovation in your business?

We encourage the sharing of ideas; we visit other businesses; listen to inspirational ideas people, and get creative internally. It's hard sometimes to look ahead and not just deal with today; but we have to keep looking forward, and investing time and resources into future planning and thinking.

How much of an impact are younger consumers (Millennials and Gen Z's) and their behavioural changes having on your business and how do you adapt to it?

Today's young consumers are increasingly conservation conscious. They vote with their cash, and will increasingly expect businesses they buy from to have a social conscience. We're well aware of this through the work we do in schools, with our junior members, and our youth board. We must get it right for them.

How would you advise businesses to divide their efforts between projects that optimise the existing organisation versus those that offer the opportunity to generate new revenue streams?

Someone once said to me "stick to your knitting" – i.e. stick to what you know and don't risk everything you have by over-diversifying. So I think it is indeed a balance, and about risk management. Standing still and doing what you've always done is a recipe for disaster, but so too is stretching your team and financial resources too far over too many projects and revenue streams. It's all about balance and having a leadership team that knows how to create the right balance for your organisation.

How do you see the leisure & hospitality changing over the next 5-10 years?

It'll be much more competitive, with consumers pushing us to create the new and the different. The online component of the visitor experience will need to seamlessly integrate with the visit, creating more and more opportunities to interact with customers before, during and beyond their visit. But it must be authentic and honest, and above all sustainable.





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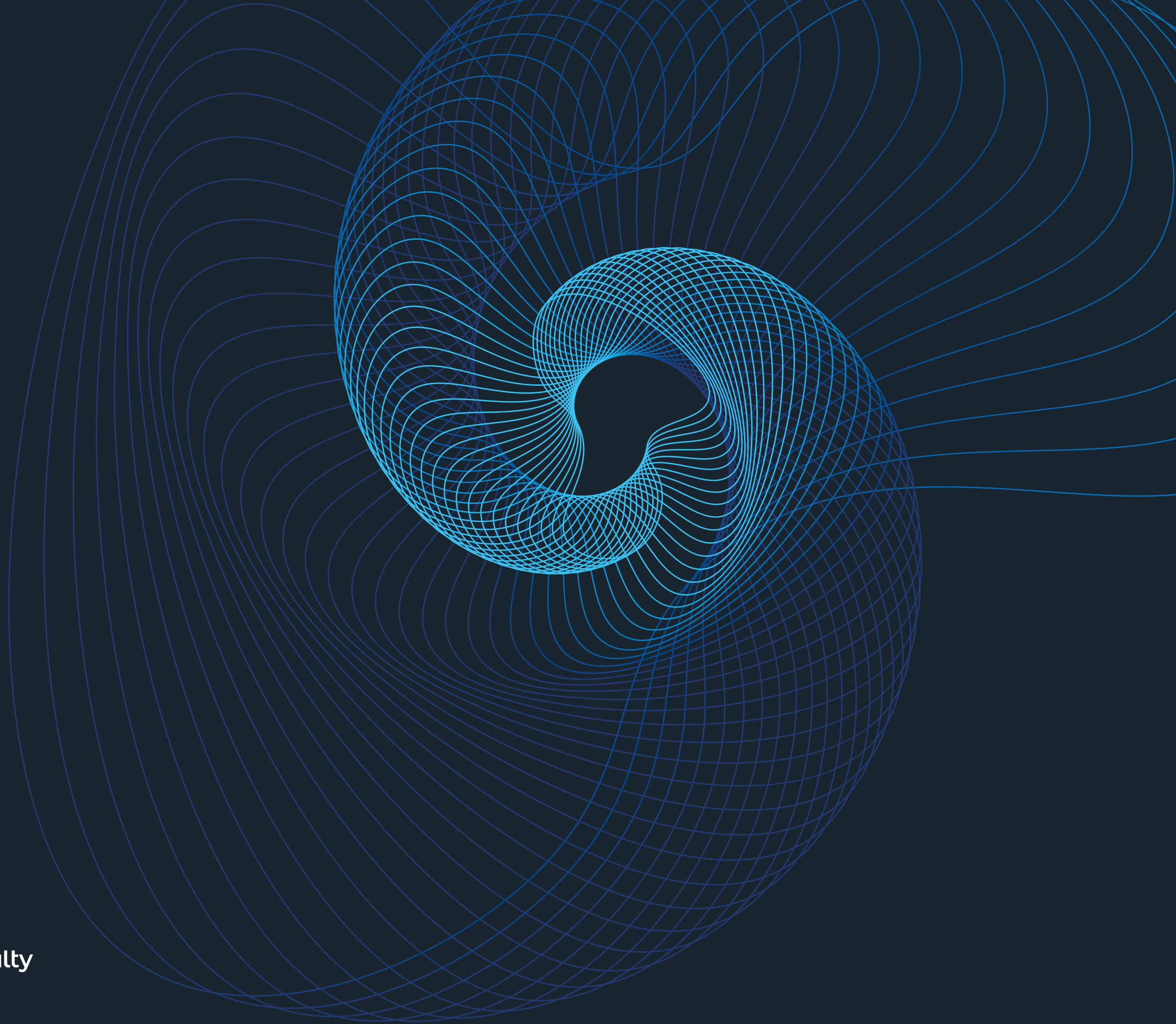
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Retail Insider

glynn@busicomm.co.uk
@glynnDavis
retailinsider.com



Webloyalty

enquiries@webloyalty.co.uk
@webloyaltyuk
webloyalty.co.uk



Retail Insider

glynn@busicomm.co.uk
@glynndavis
retailinsider.com



Webloyalty

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enquiries@webloyalty.co.uk
@webloyaltyuk
webloyalty.co.uk