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Introduction to hospitality control

- Hospitality and tourism
- Features of the industry
- Theft
- Stakeholders
- Organisation
- Accounts



Introduction

In this first chapter we will introduce the concept of 'control' and hospitality in general. We'll also look at the function of the financial control office where some of the control processes take place. As you'll see as we work through further chapters, much of control happens in the operating departments – so control is a business-wide function, not just an accounting one.

By the end of this chapter you should be able to:

- Understand the basic approach of this book
- Define what a business is and the main reason for control
- Describe the main features of the different sectors of the industry
- Describe the various activities of the financial control office.

So, what is a business?

We use the word 'business' here to mean any type of hospitality or tourism operation, whether profit-making or not. Three definitions of a business are:

- An industrial or commercial concern which exists to have dealings in the manufacture or purchase of goods for sale or the sale of a service
- An organisation which invests in buildings and equipment and pays people to work in order to make more profit for the owners
- As above but one which makes money in order to fulfil some type of charitable purpose.

These have been put together from a variety of sources but do give a broad outline of what a business is about. To decide which of these three is most appropriate for your area we need to look in more detail at the characteristics of the different sectors. But before that, let's look at the industry as a whole.

About hospitality and tourism

We have taken the broadest definition of hospitality – hotels, catering, tourism and leisure.

The hospitality and tourism industry is estimated to be worth about £40.6 billion pounds annually to the UK economy (*State of the Nation Report*, 2013, from People1st). It employs about 7% of the workforce, which is

about 2 million people. In terms of government, we are looked after by the Department for Culture, Media and Sport (DCMS) although there's input from the Department for Business Innovation and Skills (BIS) and others as well.

The Institute of Hospitality (IoH), the British Hospitality Association (BHA) and People1st are all good sources of industry statistics. The 2013 *State of the Nation Report* says that there are about 181,500 businesses, divided principally into hotels (12,400, though a lot more are thought to be unregistered, for instance small bed-and-breakfast establishments), food and service management (20,600), pubs (52,000, down by 14% since 2008) and restaurants, of which there are about 75,600 including cafés and take-aways. There are also 500 visitor attractions and 3,500 events businesses.

Some years are very good for business, although when we have a national economic crisis (or world recession, terrorist attack, very bad summer weather, for instance) this can have a widespread impact. People may travel less both within and to the UK, and so don't spend as much money, which means businesses can't afford as many staff. This results in unemployment or shortened hours, which in turn makes staff less willing to spend their own money on meals, travel, entertainment and so on. The whole economy suffers if hospitality activity is down.

Overall features of the industry

Commercial versus non-commercial

The industry tends to be divided into two broad categories – commercial (hotels, restaurants, fast food, pubs, transport catering, clubs, cruise ships, outside catering, tour operators) and subsidised (hospitals, prisons, education, armed services). Commercial businesses need to persuade people to buy their products and, since this relies on disposable income, customers make choices as to where they will spend their money.

On the other hand, where there is a captive market (prison, factory, airline or school meals, for instance) then you need to keep your customers happy for different reasons, whilst operating within imposed financial constraints.

Hours of operation

For many it's a 24-hour business which means that there are features and problems that don't affect many other types of industry, which may well operate on a five-day, 39-hour week and be closed on public holidays.

Other industries (and government as well, perhaps) don't always recognise the particular problems that emerge here and the costs involved. For instance, they may see a motorway service area only in the middle of the day, forgetting it needs to be open all night to provide toilets, meals and fuel, or may forget that nurses, hotel porters and crew on a ship are on duty all night and need to be fed.

Types of activity

There are different types of industry within hospitality too. There's production (like manufacturing, for instance in a kitchen), retail (a bar is like a shop) and service (restaurants, rooms).

Perishability

One principal feature is perishability in its widest sense – if the product isn't sold today then often it can't be sold tomorrow. A room in a hotel, a cabin on a cruise ship, a place on a tour or a ride on a big-dipper are all examples. The raw materials may also be perishable (such as fresh food) which means that if they are not sold then they could be wasted. Businesses may be also very seasonal – a pub in a student area, a cruise line, a summer resort – may all have peaks and troughs in trade at different times of year, as well as on different days of the week.

Features of the different sectors

Here are some of the features for a number of different sectors – you may well be able to think of a lot more.

Hotels

These are multi-unit and multi-product – rooms, food and beverage, leisure and subsidiary services. Food and beverage may be restaurants, cafes, carveries, banqueting, conferences, room service, lounge, club, vending. Hotels vary in size, in standard, in facilities offered and in length of stay. We also include in this sector simple bed-and breakfast or budget sector accommodation where few facilities are offered, and serviced apartments with hotel-style services available.

Here you see the multi-industry approach – production, retail and service all appear in one department or another. A restaurant may have all three. This complexity means that there will be many differently-skilled staff and systems.