



WHAT'S IMPACTING HOSPITALITY & LEISURE?

Hospitality & Leisure has arguably been the most severely hit sector over the last few years, with first having to deal with Brexit and then from March 2020 needing to negotiate the ever changing landscape that Covid brought. Throughout Covid, businesses needed to be agile and react to the changing landscape to maximise revenue and a number of businesses have come out of the pandemic in a much stronger sales position, having identified and driven other sources of revenue.

As we come out of the pandemic, the next challenge facing the industry will be the economic climate. With inflation running at a high level and a recession on the horizon, this will most certainly have an impact on discretionary spending, such as Hospitality & Leisure.

KEY CHALLENGES



ECONOMIC IMPACT

The UK economy is currently seeing high levels of inflation, which are expected to further increase through 2022 and 2023. These high levels of inflation will affect the industry in a couple of ways, firstly with increases in costs incurred by the business, but also by consumer confidence. With high levels of inflation, it is normally discretionary spending, such as holidays, leisure activities etc. which feels the impact first and we are likely to see a reduction in hospitality and leisure spend. Business owners need to be in a position to react quickly to changes in consumer demand.



FUNDING / FINANCE

Throughout Covid, the vast majority of businesses took on additional debt, either through one of the government backed loans or through other sources. Following the initial capital and interest free periods of the government backed loans, all businesses will now be incurring interest and making capital repayments on the loans, which is adding pressure to cash flow. Business have also seen the end of the reduction in VAT rates, removal of Furlough and the rates reduction will come to an end shortly, which again will have a large impact on cash flow. All business owners need to ensure that they have a full understanding of the cash flow cycle in the business and to ensure that the business is adequately funded.



PEOPLE ISSUES

The sector is amongst those worst hit by the current skills shortages, which has been brought about by Brexit, Covid and a lack of career opportunities/focus in the industry. Businesses are seeing large increases in wage costs, as they look to retain and recruit staff and these increased costs are putting further pressure on operating margins. The industry has often lacked a focus on recruitment, retention and rewarding staff, however this needs to be a key focus areas for all businesses.



PRICING

As hospitality and leisure businesses compete for demand, this has often led to reduction in prices or incentives to attract customers. We are currently seeing large increases in inflation which are affecting all costs in a business, including food, wages, utilities etc and business owners need to ensure that they have a full understanding of the cost base and to amend prices accordingly.

HOW WE ARE HELPING OUR CLIENTS

As well as providing the annual statutory accounting and tax services, our dedicated sector team are assisting our hospitality & leisure clients in numerous areas including:

- ▶ **Cash Flow Forecasting, Break Even Analysis and Funding**
- ▶ **Assisting and implementing plans to focus on retention and recruitment of staff**
- ▶ **Maximising use of technology in business**
- ▶ **Management Accounts and KPI reporting**

WHAT OUR CLIENTS SAY



Britannia Row Productions have been a client of Menzies for 10 years and they have supported the company through many different stages of development. Their proactive and strategic approach has given us advice in many areas. I can retire confident in the knowledge that Menzies will continue to offer my FD successor and the company the same high level of support and advice we have benefited from over the years.

Stuart Dickson
Retiring Financial Director
Britannia Row



We find Menzies very friendly and approachable, some staff have been here assisting with all our accountancy needs for nearly 20+ years, this is so important because you are made to feel important. Menzies response is quick, helpful and efficient, we just wanted to say what an excellent accountant and team they have and wish them all the very best on their journey as we both develop together.

Jaf Ahmed
Co-owner
Akashco LLP



I have worked with Menzies in relation to a number of R&D claims for our company. We found Menzies to be very professional, timely, knowledgeable in the field and a pleasure to communicate with and learn from. Highly recommended.

Rannesh Jansari
Managing Director
Fushi Wellbeing Ltd



The team at Menzies has gone above and beyond what I expected of them to support my business in many ways, I trust their advice and my business has become more successful because of the help that Menzies has given. They have challenged me to understand my business more fully and have helped me immeasurably. I would not hesitate to recommend them.

Sarah Heyworth
Director
Local Treasures Limited



CONTACT THE TEAM AT

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