

The Venues & Hospitality Digital Finance Report



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Methodology

The research was conducted by Censuswide, among a sample of 101 respondents across the UK venues and hospitality sector in H1 2023.

Executive summary

The hospitality industry is no stranger to upheaval. External shocks from rising costs to labour shortages have put immense strain on the sector. Today, digital transformation presents both opportunities and challenges to an industry that's become resilient in the face of change – unlocking new approaches to accelerate its own transformation.

Our latest research shows that **69% of venues and hospitality organisations** have either started or completed a digital transformation overhaul. Although the appetite for change is there, the pace is slow, as **only 3% have fully digitised their finance function**.

Moreover, our insights reveal that **only 34% feel fully confident** in their current software solutions, while **21% are wary of change**, on the grounds of familiarity.

Outlining the pressures facing hospitality finance teams and the urgent need to embrace new technologies, these insights emerge through analysing data on digital adoption rates, confidence levels in existing systems – and the varying, present concerns around embracing change.

With unique perspectives from a survey commissioned by Xledger of 101 respondents across the UK venues and hospitality sector in H1 2023, this insights report explores the underlying concerns and challenges stifling adoption – and reveals how the industry could accelerate its digital transformation journey with new perspectives and renewed vigour.

+69%

of venues and hospitality organisations have either started or completed a digital transformation overhaul.

34%

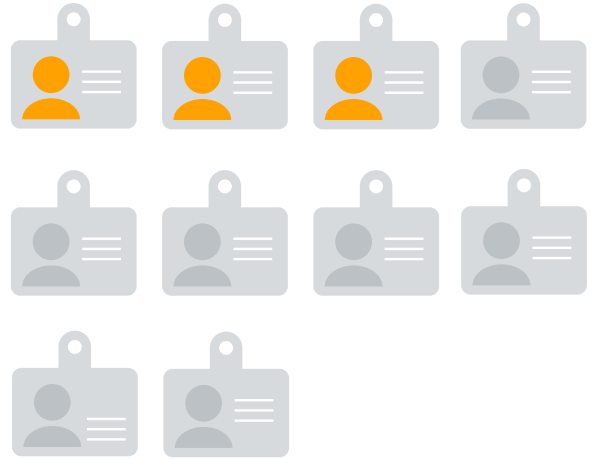
feel fully confident in their current software solutions.

25%

of hospitality businesses are yet to digitally transform more than half of their finance systems.

22%

of financial professionals within the hospitality sector are currently able to accurately forecast.



30%

cited 'technology issues' as a key pressure point in managing day-to-day operations.

The Trust to Transform

The UK hospitality sector has faced serious threats in recent years.

As the first to close in the pandemic and with lower capacity restrictions marring their ability to supply high customer volumes upon reopening, hospitality venues across the country have remained significantly impacted by the effects of COVID. Combine that with a cost-of-living crisis, global conflicts damaging supply chain resilience and the ongoing challenges to staffing and retention exacerbated by Brexit – and it's hardly surprising that, according to a survey led by UKHospitality (UKH), **45% of operators** have noted a reduction in trading hours or venue capacity in the last year.

Across the industry, the rippling effects of such disruption have dictated a shift in the adoption of new technology to aid and improve the customer experience.

From back-of-house and POS systems to rotas and customer review platforms, technology has played a key role in the industry's ability to evolve at speed.

The question is: Why hasn't that same acceleration been witnessed in its finance function?

60%

of hospitality venue operators said their reliance on software solutions will increase in the next 12 months

Source: 'Beyond the Booking; Report, ResDiary, 2023

Fig 1. How much of your finance function is currently digitised (i.e; the integration of technologies and strategies that enable you and your teams to deliver value in the digital age)?

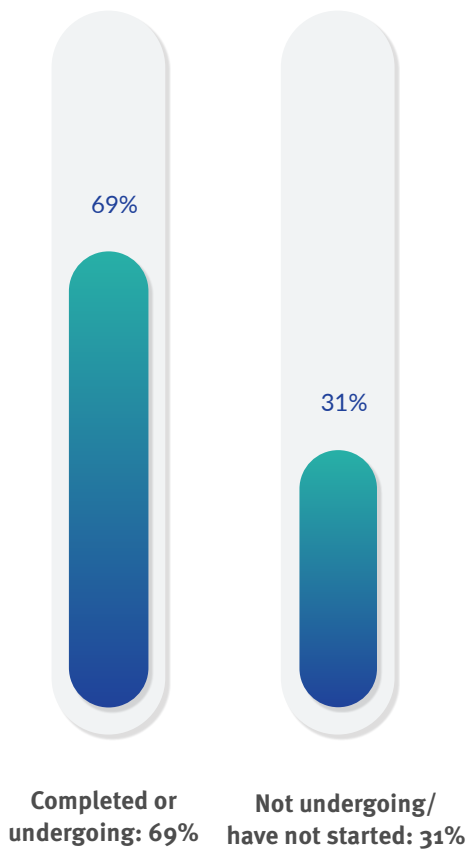
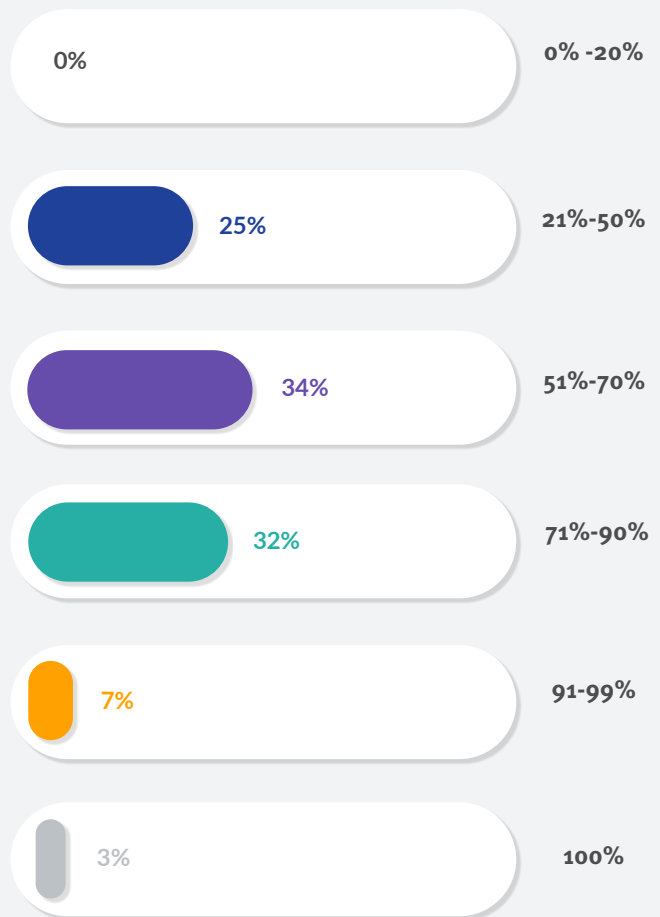


Fig 2. How much of your finance function is currently digitised (i.e. the integration of technologies and strategies which enable you and your teams to deliver value in the digital age)?



The stats we see in fig.1 are an indication of the uptake of digital finance technologies within the hospitality sector. While the appetite for transformation is certainly there for some, a quarter (25%) of hospitality businesses are yet to digitally transform more than half of their finance systems, as shown in fig. 2.

For an industry so vulnerable to risks outside of its control, hospitality finance teams need to be equipped to deal with every potential scenario. From shifts in staffing and stocking costs, to competitor takeovers and ever-shifting regulations, accurate financial planning and forecasting is a cornerstone of ensuring the hospitality sector is able to put its best foot forward.

From reconciling revenue on the date of a event to long-term budgeting to supplier and staff payroll management – operators across all facets of

hospitality are faced with continuously predicting and protecting their cash flow from the uncertainty of external forces.

To better mitigate risk and drive workflow efficiencies, greater levels of financial oversight and modelling are needed.

Here, a new question arises: Is the sector moving fast enough on its digital transformation journey to react to such change – and if not, what’s holding it back?

EXPERT INSIGHT

“With all the pressures the hospitality sector has to endure, not having your finance function fully digitised can mean your business is missing out on valuable information. Access to real time, accurate financial data can be the difference between your business succeeding or failing. In order to effectively compete in the market and be one step ahead of your competitors, giving the finance function access to these tools means the team can rapidly provide insight and course correction for the business.”



Rob Howard, CEO, Accurise

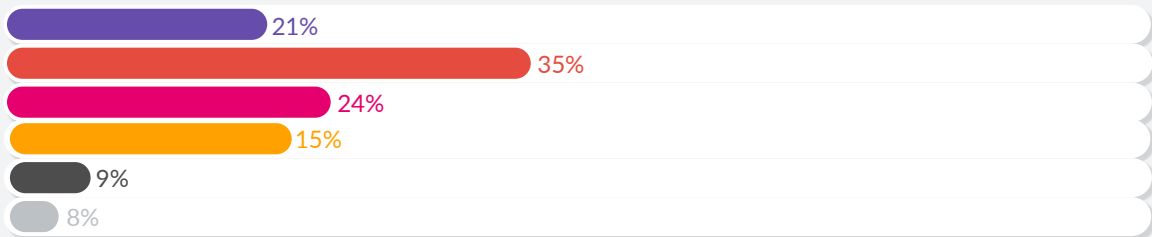


The Finance function: Championing digital change with confidence

Making the appropriate commitment to any major digital transformation is the first – and most critical – step for any finance leader looking to strategically evolve their operation.

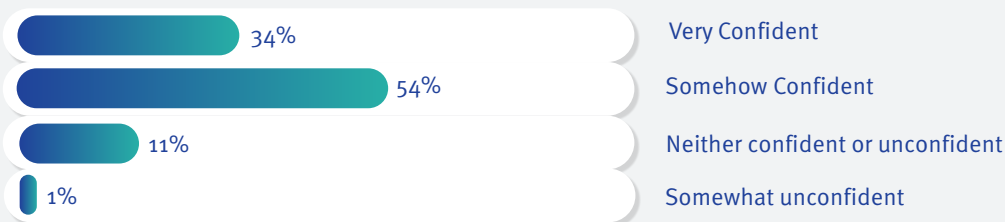
The hospitality sector has certainly proven its ability to adapt in the face of significant change and unpredictable variables. But when it comes to digitisation, there appears to be an issue of trust around the right tools and support to confidently approach transformational change.

Fig 3. Does tech/digital transformation give you concerns about being able to perform your role to its full potential?



- Yes, we're used to what we have/it's familiar
- Yes, a long changeover could cause delays, backlogs, and productivity issues
- Yes, but I don't fully understand the impact it'll have on jobs:
- No, but we need to ensure we have the right product/vendor
- No, but we need to ensure the right business processes are implemented
- No, we welcome change

Fig 4. How confident, or unconfident, do you feel that your current software solution offers you the tools you need to perform your firm's finance function to maximum effect?



As the data in fig 3. shows, the main concern surrounding digital transformation is the potential impact of delays, backlogs and productivity issues.

Given the downward shift in trading hours and venue capacity noted by operators over the past 18 months, concern around operational productivity is certainly not unfounded. However, in overlaying the data shown in fig. 4, a wider lack of confidence in existing financial tools begins to emerge – with only one-third (34%) ‘very confident’ in their current software solution.

Low confidence in existing tools – combined with a lack of trust in the process of implementing change – has the potential to place hospitality providers in a precarious situation; in an industry where the ability to adapt quickly can mean the difference between success and failure, stagnation must be avoided at all costs.

***“The way to approach digital transformation is to recognise it as an ongoing operational journey, rather than a quick and easy software solution that will fix all your existing accounting operations.*”**

It is perfectly normal to have concerns around productivity and backlogs. But when you approach digital transformation in the ‘right way’ the process of operational mapping will help you identify the pain points within your organisation and choosing the right vendor will help you find ways and means of creating efficiencies around these pre-existing problems.”

To do so, hospitality businesses must be empowered to approach digital transformation with confidence. That a combined 24% of finance leaders agreed they would not have concerns around digital transformation impacting their ability to perform their role to its full potential – as long as they had ‘the right product/vendor’ or ‘the right business processes are implemented’ – shows a positive move in the right direction.

In fact, according to Gartner, improving finance metrics; insights and storytelling; leading change management efforts; and optimising costs are priorities that over 70% of CFOs across all industries now consider to be critical to their success.



Tim Wright, Head of Operations, Xledger UK

How to approach digital transformation: A roadmap

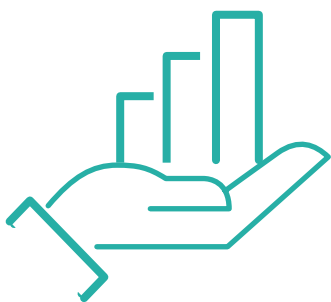
Initial assessment & buy-in

Assess your strategic business goals, identify where your challenges and pain points are and highlight potential growth opportunities. Get buy-in from across your entire organisation and remember that different departments may have different needs. Secure commitment from executive, board and SMT level.



Create a vendor long list

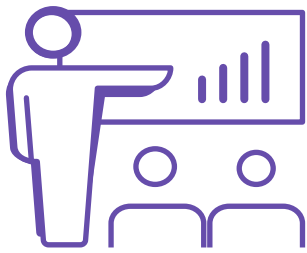
Empower your steering groups, with all the findings and research to identify which platforms or systems are best placed to achieve what you need. Create resourcing plans and actions to engage with potential new partners.



Evaluate capabilities and assess strengths and weaknesses.

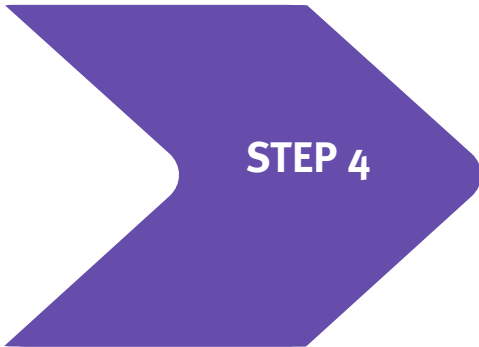
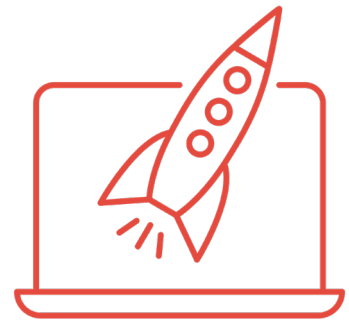
Conduct widespread team feedback programmes and find out what is currently working and what isn't. Understand what needs to be improved and prioritise those improvements. At this stage, do not focus on functionality, allow software vendors to come up with those solutions for you as it allows for the potential to gain a better solution to one that you had already envisaged.





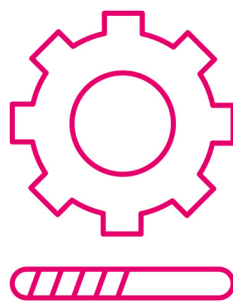
Pre-deployment

Don't procure too soon. Source as many potential partners as you can and understand the solutions they can provide to assist with your digital transformation journey. Whilst it's important to understand their technical capabilities, also assess other key areas such as their approach to digital transformation, resourcing, and technical support model.



Vendor demonstrations

Once you've identified the right partner for you, engage internally to communicate the decisions and the rationale behind this change. Say how and why this decision has been made and communicate the benefits. Bringing wider teams on the journey before deployment can secure greater buy-in.



Commence deployment

Deploying finance solutions won't happen overnight. Onboard and train comprehensively, to ensure that no person is left behind. Everyone needs to be on the same page. Bear in mind that organisations continue to change and therefore digital transformation is a journey and not a destination.

Empowering ambition: Forecasting the Future

Every department within an organisation is impacted by the efficiency and effectiveness of its finance function; its balance sheets tell the strategic story of operational viability and success.

For the hospitality sector, where external change and uncertainty are an ongoing challenge, the ability for finance to forecast against adverse effects is even more crucial.

In UKHospitality, risk management specialists Capcon underline the ability to forecast as being critical to surviving the ‘perfect storm’ of the post pandemic period, stating: “Cashflows should be built around a weekly model with best and worst assumptions put in place and then re-assessed with real time information allowing realistic models to be formed.”

To get there, hospitality businesses and their finance teams must first engage the right tools with enhanced workflows if they are to realise the benefits of real and near real-time modelling. It is here that the opportunity to better predict and protect prevails for the finance function – helping the business navigate uncertainty and make smarter, more informed decisions.

According to KPMG, more than three quarters of CFO’s recognise that automation enables existing finance staff to add more value.

Source: ‘KPMG, The Future of Finance, Modern Workforce, September 2021’

Fig 5. How well-equipped do you feel you are to forecast ahead of a potential recession?

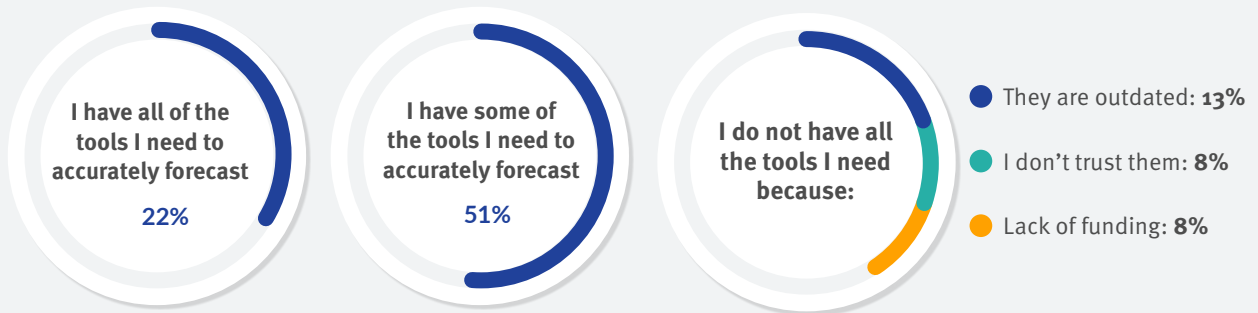


Fig 6. What, if anything, is putting pressure on your day-to-day function and taking attention away from the bigger picture?

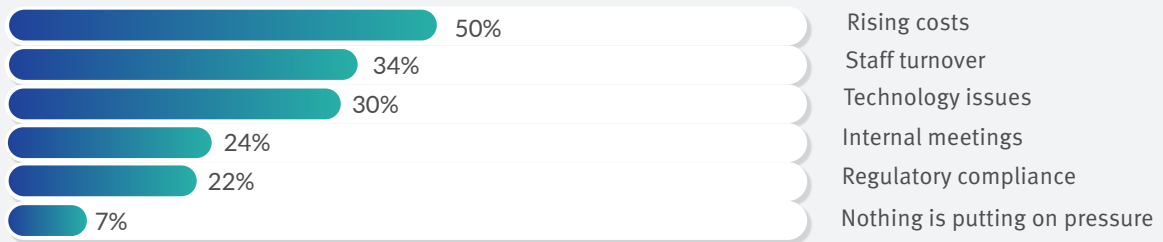


Fig 7. What is your main concern regarding the next 12-24 months?

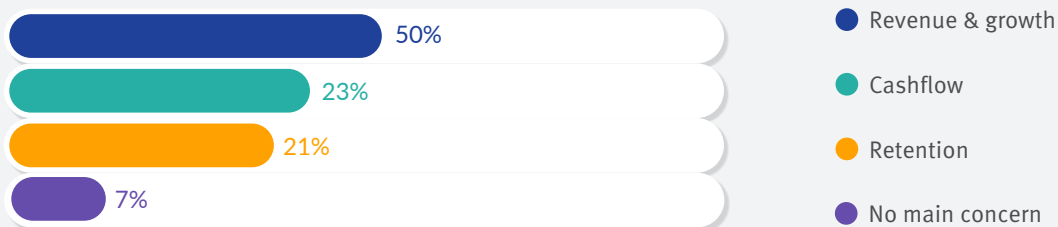


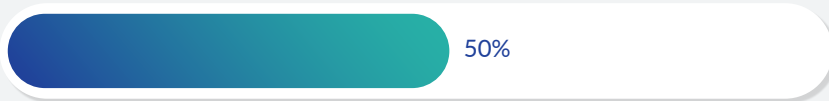
Fig 8. To what extent has your organisation adopted these technologies into your workflows?

Big Data Analytics

Fully Adopted



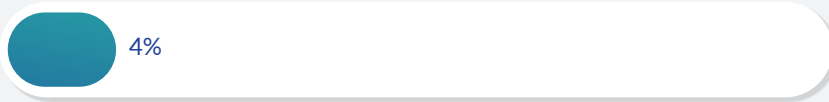
Partially Adopted



Have not adopted but plan to in the next 12 months



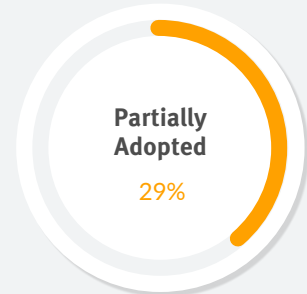
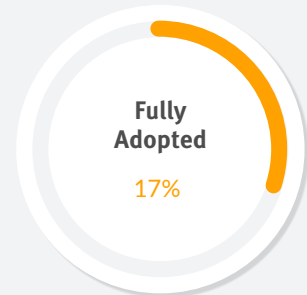
Have not adopted and don't plan to



Have not adopted and don't plan to



Robotic Process Automation (RPA)



It is no surprise the hospitality sector is feeling the pressure of rising costs and staff turnover (as demonstrated in fig. 6), or that revenue and growth is by far the biggest concern over the course of the next 12-24 months (fig. 7). And yet, 30% of respondents cited ‘technology issues’ as a key pressure point in managing day-to-day operations (fig. 6) – issues that, if solved, would help streamline the management of rising costs, staff turnover, and support proactive revenue and growth strategies; alleviating pressure across much-needed critical components.

As findings show in fig. 5, however, only a relatively small number (22%) of financial professionals within the hospitality sector are currently able to accurately forecast. More than half (51%) admit to only having some of the tools they require.

In a market vulnerable to the volatility of consumer behaviour and dictated by factors like decreasing disposable income – or even seemingly trivial issues such as transport strikes and adverse weather conditions – resilience and adaptability to the unpredictable requires a greater capacity to forecast than currently exists across the sector.

Concerned with rising costs and staff retention, ensuring resource and time efficiencies remain one of the sector’s biggest operational challenges. With greater uptake of technologies such as Remote Process Automation (RPA) and Big Data, the hospitality sector’s finance function can become far more strategic and growth-focused in its approach – replacing manual tasks and streamlining repetitive workflows through automation, while driving innovation up and costs down with advances in cloud computing. According to Gartner, cloud technology will shift from being a disruptor to becoming a necessary component for maintaining business competitiveness by 2028.

EXPERT INSIGHT

“In today’s fast changing world, finance teams need to be producing financial forecasts to allow management to make informed strategic and operational decisions. Fundamental to the preparation of forecasts is good quality data that can be analysed by various dimensions, to test the impact of different assumptions. Everything hangs off detailed, timely and reliable financial data - so the investment in proper tools and systems to automate workflow and improve consistency is essential, and in turn frees up the finance team to perform value added services to the business.”



*Clair Tinney, Portfolio FD
with the CFO Centre*

Key takeaways

Undeniably, the hospitality sector is making progress in advancing its digital transformation journey.

When faced with the economic uncertainty impacting both business and customer, it's easy to see how internal technological change could be deemed as less of an immediate problem to fix. Yet while this may offer context into the comparably slower pace of digital transformation witnessed by the sector's finance function, it does not paint the full picture.

The appetite for change exists, but large parts of the sector must reframe their concerns around technology; viewing its potential as a vehicle for change as opposed to one of risk. At the same time, recognising that the approach to digital transformation is wider than a discrete procurement project based on cost. As ResDiary's survey reveals, 49% of operators cite cost as a specific concern when exploring new technology.

Indeed, for hospitality operators to realise the true operational efficiencies in transforming their finance function, that very function has to first build trust

in the transformation process. As industry bodies, sector specialists and our research all point to, building that trust starts with empowering new forecasting and business planning capabilities across the finance function – unlocking automation to explore new operational, reporting and modelling benefits.

It is here that the hospitality sector can start to accelerate its digital transformation journey and elevate finance to become a true strategic enabler for future business growth.

1

Digital adoption is increasing but remains partial for most hospitality organisations. Complete transformation requires full commitment.

2

Concerns around change are understandable but can be addressed through appropriate planning, training, and communication. The risks of stagnation outweigh those of careful transformation.

3

Emerging technologies like RPA and Big Data analytics can accelerate automation benefits and directly address the sectors' challenges around forecasting.

4

However, these critical tools remain underutilised within the sector. Its benefits are not being fully realised.


Are you ready to take the next step in your digital transformation journey?

Get in contact with us by emailing mail@xledger.co.uk and one of our experts will get in contact with you.



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