

HOSPITALITY TIPS

5 Ways To Stay **Profitable** During Inflation



2022 has been a rollercoaster year for a sector that employs nearly 2.5 million people and contributes around £72 billion in annual gross value to the UK's economy, according to [trade body UKHospitality](#). Soaring inflation is becoming the new normal for many hospitality businesses, as [food and drink price inflation rose to 15%](#). Not to mention, hospitality is already dealing with supply chain issues and labour shortages. And with a recession on the horizon, it's no wonder the hospitality industry is on the edge of their seats.

This summer, inflation [reached a 40 year high of 9.4%](#). Recently, the [Guardian reported that the UK is now in recession](#) following the Bank of England increasing interest rates by 0.5% to 2.25% on 22 September. The Bank of England is now [warning of further increases](#).

Navigating a post-Brexit economy, the war in Ukraine, the financial impact of COVID lockdowns and now inflation has been [extremely challenging](#) for hospitality. According to the [latest Hospitality Market Monitor](#) from CGA and AlixPartners, hospitality's steady recovery from COVID is now under severe threat from rising food, labour and energy costs. The report states that pubs, bars, restaurants, cafes and hotels saw a net decline of one closure every hour in the third quarter of 2022. With higher prices passed on to consumers, hospitality businesses are seeing an impact on the demand for dining out. For example, due to a fall in foot traffic [the City of London has lost 14% of its restaurants since 2020](#).

Wage costs also rose as hospitality doubled down on attracting and retaining enough employees to keep their stores open. [Pret a Manger raised pay by 5% for a third time in just over a year amid staff shortages](#).

What does this add up to for hospitality? They're confronted with changes in consumer spending on top of high operating costs.

So read on to uncover creative ways to keep sales up, your overheads low, and your business on track for revenue growth.



01 **Keep up with customer demand and control your labor costs**

It's 2 pm on a Saturday and your restaurant is crowded with the afternoon weekend rush. Your customers need assistance, but there aren't enough staff scheduled to help during this peak period. Before you know it, customers are leaving and sales are slipping away.

As a pub, bar, restaurant or cafe manager, this may sound all too familiar. On the flip side, you've probably encountered the struggle of being overstaffed during the quieter hours.

So, what's the best way to [keep up with customer demand and maximise sales](#) — while preventing overstaffing and overspending on labour? The key? Scheduling software that gives them an accurate, real-time view of payroll costs compared to sales as they schedule — and makes it simple to adjust staffing up or down.

The Castle Hotel in Taunton has found great success with shift scheduling software, which is flexibly able to adapt [ideal staffing for their hotel](#) at short notice. The Castle Hotel's Director of Finance Jon Peilow told us that the seasonal nature of hospitality and hotel industries means that knowing how many staff to schedule on and managing the associated costs effectively can be a challenge.

Jon notes, for The Castle, this is particularly relevant to the food and beverage department, which includes chefs and wait staff. Over half of whom are paid by the hour. "In this industry, we get short lead times, both in the hotel and restaurants, with bookings we can fill up for the evening within the day. It can evolve quite quickly," he explains. "And we may want to reduce the staff, as well as increase the number of staff."

When Curry Leaf Café implemented [smart scheduling software](#) they immediately saw a reduction in their wage bill. "It's really saved us money. We've saved 5% on our wage bill," says Stewart Cumming, Head of Operations at Curry Leaf Café.

02 Rebuild the customer experience and incentives

62% of consumers say that “product discounts or freebies would encourage brand loyalty during times of inflation.” If you’re already doing this but it’s getting too costly, remember that sometimes less is more. Consider giving out fewer promotions or ones that would be more meaningful to your customer base.

If you can’t offer these during inflation, an alternative you can try is implementing a loyalty program. If you already have one, revisit the perks of your program. Maybe you can add a referral bonus section and incentivise customers to recommend your brand to friends and family.

If the options above are not possible, consider deepening your customer relationships in other ways. Have you tried sending out weekly emails or newsletters? You can use those as opportunities to further connect with your customers. It can also be a way to give them early access to know about new items or sales you have coming up.

You can also offer in-store events using different themes to attract more foot traffic to your storefronts. If you serve food, provide small samples or if you’re a hotel, hold open room viewing days. Perhaps, you can offer a small discount for those who attend these events. The trend of buying t-shirts and tote bags to show your support for your local pub/restaurant/café is expected to continue this year. Consider if this additional revenue stream could suit you.

Customer engagement trends to know right now:

- **32% of consumers** say they’re “likely to engage with in-store experiential moments”
- **65% of consumers** would like to opt for environmentally friendly transportation or lodging on their next trip and over 50% of them would be willing to pay more for sustainable lodging
- **86% are willing to spend more** for a fantastic customer experience

03 Automate manual operations

With wage costs increasing and a scarcity of staff for hire, hospitality businesses can't afford to have 2 team members doing admin that could be done by 1 person — or completely automated.

Take the Curry Leaf Cafe for example, who were [manually managing shifts and payroll for 40 staff across 3 locations](#). "Staff schedules were printed-out on Excel spreadsheets, written on by staff, then manually typed up at the end of the week and used to pay wages. It was clunky, time-consuming, not very accurate, and not secure," says Stewart Cumming, Head of Operations, Curry Leaf Cafe. It would take Stewart up to 2 days per month to sort out payroll. They've now cut that time down to 45 minutes per month by picking up [scheduling software](#) that integrates with most payroll software and can do the bulk of the work for them.

For [The Riverside Hotel in Cornwall](#) who are using Deputy, timesheets are automatically created when employees start and end their shifts. Ross, the owner, is then able to approve each timesheet and export directly into [Xero](#), saving hours each month in payroll processing time.

"I would buy Deputy even if it was just based on payroll. It saves me hours as it means I don't have to go through manual processes involving lots of data entry errors."

Although budget could be tight right now, it's worthwhile investing in technology that automates those manual processes and ultimately helps you grow your business.

Optimising your hospitality operations is also a win for your employees. Increasing employee wellbeing gives them motivation to stay focused on what they do best: quality customer service.

After the proof-of-concept for Deputy, [80% of staff at CitizenM](#) involved answered positively to the question "How likely are you to recommend Deputy to your citizenM colleagues?"

04 Retain staff without just relying on financial incentives

The real living wage has seen its biggest year-on-year increase with more than [390,000 workers across more than 11,000 living wage employers](#) set to receive a pay boost, according to the Living Wage Foundation. Having risen to 10.1%, the new voluntary real living wage, which is an hourly rate of pay independently set annually and is different to the Government National Living Wage, will see the UK living wage increase to £10.90 per hour, £11.95 for the London living wage. While one powerful way to retain staff is to increase wages, not all hospitality businesses can afford to do so — and research shows that employees are looking for incentives beyond just the financial.

Under pressure hospitality workers want more flexibility and appreciation. [51% of shift workers](#) shared that one of the main perks they want is job flexibility. Some employers have already been embracing this. “Many hotels encourage flexible working as a way of retaining staff. After all, no company would want to lose you if you’re, say, a valued manager who knows the business and the brand inside out, just because you wanted to work a slightly different pattern, would they?” according to [Caterer.com](#).

So what’s the best way to provide your employees with the flexible work hours they want? Consider a [mobile-friendly](#) app where they can claim the shifts they want, [swap shifts](#) with qualified peers, or request time off on any device. Ilulia Serbam, [a citizenM Ambassador](#), says that adopting a scheduling app has helped the team feel more empowered and in control of their work-life balance. “I use the app so I can access it all the time. And with the app, you can request leave, holidays, and shift swaps. It gives you more control and flexibility,” says Ilulia.

Other factors employees care deeply about [according to our survey](#):

- Opportunities for personal development
- A focus on employee wellbeing
- Company commitment to diversity, equity, and inclusion

05 Be strategic with pricing

Although many hospitality businesses feel wary about passing down business costs to customers due to the cost of living crisis, [menu price increases are happening](#). In July, McDonald's crystalised the moment by [increasing the price](#) of its cheeseburger from 99p to £1.19, its first rise in 14 years. In hospitality, almost everyone is charging more. Prices went up by 9% in the year to July 2022, according to the Office of National Statistics, with further rises predicted. Larger chains may be able to hold price rises down around 5%, but, anecdotally, according to [the Guardian](#) smaller independent operators have put dishes up by about 10%-15%. [UKHospitality](#) estimates that they'll go up by 11% across the sector.

Note that increasing prices across all your menus might not be your strongest strategy during inflation. You could possibly hurt customer relationships. Instead, you'll want to be thoughtful about price increases based on consumer trends and product segments. To start, understand what your customers are currently willing to pay. Then, tailor pricing based on those behaviours. Keep in mind that not all your products will hold the same value from one customer to the next. You can test different prices and consumer reactions using [data tools](#) or analysing your competition.

You can also adapt your menu by taking dishes off that are based on more expensive ingredients. Restaurants like [the Sculthorpe Mill in Norfolk](#) are doing this. "We've adapted our dishes to deal with removing some items that are more expensive and we can't afford, and put on some cheaper dishes. We try and focus on being price accessible. And we've also changed our beers to bring in cheaper lagers. We've changed out lemon sole, which was very expensive and the prices were going up, and replaced it with mackerel, which is a cheaper fish but equally delicious. It's what you have to do, you can't just sit still, you have to find time to find solutions, says Siobhan Peyton.

If you're able to source inventory locally, consider negotiating prices with your vendor. If you can get your supplies at a lower cost, you'll be able to have more runway with pricing. Lastly, don't hesitate to compare rates between different vendors for the same products to score a better deal — or try to negotiate a favourable discount for early payments.

Remain resilient



The bottom line is that the hospitality industry is facing uncertain economic times — costs are high and consumer spending habits will continue to evolve. But there are strategies and technology you can rely on to stay resilient through these wavering times.

It's all about optimising your operations, being efficient with labour costs, reinforcing relationships with your customers, and threading the needle with your pricing.

Stay focused on responding to these challenges and turning them into opportunities to make your business even stronger. And in time, you'll find it easier to navigate inflation and protect your bottom line.

Need support weathering the inflation storm?

[Learn how Deputy can help.](#)

