

Hotel Sector Review

Winter 2022



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WINTER 2022 – SITUATION ANALYSIS

As 2022 draws to a close it is timely in this issue of the *Hotel Sector Review* to both reflect and look forward; reflect on the challenges dealt with by hoteliers in 2022 and look towards a future where innovation and clever energy management will help mitigate against what is expected to be another difficult year.

The key themes of 2022, as highlighted in previous editions, remain. These include labour supply and skills shortages, changing customer expectations, rising input costs, optimising revenue, and deepening customer relationships.

On a positive note, most hotels performed well in 2022, giving operators a solid base from which to deal with the energy crisis and the threat of recession in some of our international source markets.

In this issue we look at how to navigate the energy crisis, and we explore innovation and the importance of embedding it across all operational areas in your hotel.

FACING THE FUTURE

Navigating the Energy Crisis

The energy crisis continues to present significant changes for hoteliers¹. Rising energy costs are eroding profitability and accelerating the transition to renewable energy.

With four in five Irish hotels (82%) now having an energy management system, the journey to energy resilience is progressing². There is no better time or incentive to manage consumption more closely.

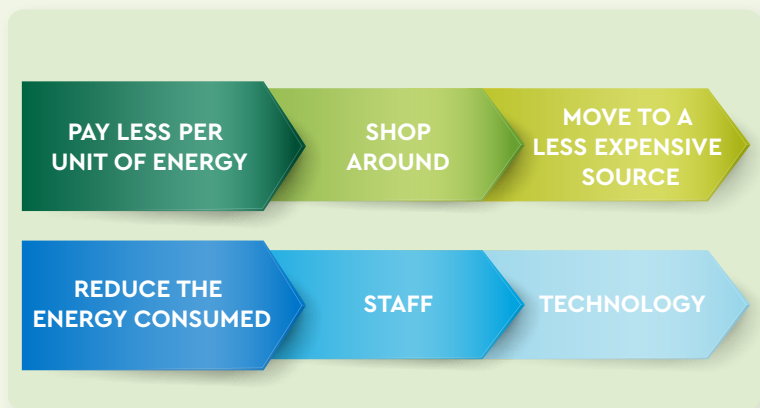
Navigating this crisis calls for hoteliers to think long-term and target short-term. Prioritising the reduction of energy consumption across your hotel footprint, along with actively researching and adopting sustainable measures in energy, waste and water, will help with long-term financial sustainability.

WHAT DOES THIS MEAN FOR HOTELIERS?

SHORT TERM

The cost of adopting energy efficient measures can be a barrier. Over time however, soaring energy costs will likely outweigh the investment. Energy is generally the biggest utility cost for hotels, so it also offers the biggest opportunity for savings.

Two key ways to minimise energy costs are through your **energy supply** and **energy usage**.



- Firstly, identify your current situation by logging how much energy is consumed and what it costs.
- Before your current contract expires, shop around. See Cru.ie or Bonkers.ie for a list of energy suppliers.
- Use the cheapest energy source, for example, heat water with gas rather than electricity.
- Modify employee behaviour through education and awareness of energy efficiency. Ensure that:
 - Employees only turn on equipment when required and turn it off directly after use.
 - Temperature settings across the hotel are reduced as appropriate.
 - Reservations team allocates rooms with consideration for locations of the hotel's heating systems so that you don't consume energy where you don't need to.
- Manage large energy users such as equipment, lighting, and heating and cooling systems. Compare the cost of running your current equipment with a more efficient alternative. Create a long range plan for forecasted maintenance works and upgrades to more efficient equipment.

LONG TERM

Managing energy consumption makes business sense – the sooner the adaptation starts, the sooner the payback begins. Adapting now will also build resilience as Ireland transitions to a low carbon society in line with Government commitments³.

¹ [Climate Change Advisory Council, September 2022, Annual Review](#)

² [Fáilte Ireland Strategic Research & Insight, September 2022, Tourism Barometer](#)

³ [Gov.ie, 2021, Climate Action Plan](#)

Taking action is not a once off or short-term project; it requires a commitment to continuous improvement across all business functions.

- Be realistic about what can be achieved. Set pragmatic targets that you can measure and report on.
- Set up a Green Team to identify actions to reduce emissions and to implement a Climate Action Plan for your hotel.
- Develop a cohesive, achievable Environmental, Social, Governance (ESG) policy.
- Taking positive action will position you favourably from a consumer point of view. As well as customers experiencing your sustainable practices in action, share them on your website and marketing collateral.

FÁILTE IRELAND CLIMATE ACTION SUPPORTS



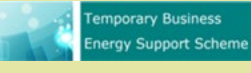
Driving Climate Action is a strategic priority for Fáilte Ireland. Our advice will support you to reduce costs, make your business operations more sustainable and reduce your carbon footprint.

Access supports such as the **Climate Action Roadmap, Energy, Water & Waste Management Guides, How to tell your Climate Action Story, How to Calculate your Carbon Footprint, Top Tips & Essential Steps** and much more...



CLICK HERE TO GET STARTED...

Funding and grants

| | |
|---|--|
|  | <p>Sustainable Energy Authority of Ireland (SEAI)</p> <ul style="list-style-type: none"> • SEAI Energy Audits: €2,000 grant to small and medium enterprises (SMEs) towards an energy audit. Learn more • Support Scheme For Renewable Heat: funding of up to 30% for heat pumps. Learn more • SEAI Energy Academy: free online energy training. Learn more |
|  | <p>Strategic Banking Corporation of Ireland (SBCI)</p> <ul style="list-style-type: none"> • Low-cost loans for SMEs investing in energy efficiency. Learn more |
|  | <p>Temporary Business Energy Support Scheme (TBESS)</p> <ul style="list-style-type: none"> • Helps businesses with energy costs. • Necessary that the business has completed a carbon footprint exercise and is taking steps to reduce its energy use and environmental impact. Learn more HERE • Information and guidelines on the operation of the TBESS can be found HERE |

What's next?

One thing is clear – sustainability must be central in everything that hotels do.

There is a growing base of leisure and corporate customers who prefer hotels with strong sustainable practices, as evidenced by the finding that 71% of international travellers want to make more effort in the next year to travel more sustainably⁴.

Add to this the fact that some financial institutions will only lend to or invest in businesses that can demonstrate strong sustainable ESG policies; investing in sustainable ventures is no longer just about doing the right thing but is a profit-related consideration⁵.

Innovation for Success

Change is now a constant for the hotel industry. As we approach 2023, along with the energy crisis, the most likely business disruptions are legacy and outdated technology, labour shortages and cyber security⁶.

The pandemic saw the hotel industry embrace innovation and now in the face of economic uncertainty innovation must again take centre stage. Experts note that hotels have no choice; they must innovate or they will quickly fall behind their competitors⁷.



The international evidence is that highly innovative hotels report significantly positive differences in return on investment, return on assets, sales growth and occupancy rates⁸.

Yet some hotels shy away from innovation, often because of a weak understanding of what innovation really is, as well as uncertainty about how to drive innovation in their hotel.

What is innovation?

A good starting point is to understand that innovation is essentially about making changes that add value to customers. The interplay in hotels between the customer and the business broadens the scope of innovation away from just focusing on technology-driven innovation. Research shows that technological innovation alone will not be sufficient to hold competitive advantage over the long term; harnessing innovation in areas such as organisational innovation, workplace practices, marketing strategy or business models is also critical.

Incremental innovation – significant results from continuous, small improvements

Innovation does not always require large investment and in some cases involves no cost. Incremental innovation – ongoing small improvements to current products and services – can be just as impactful as investing in 'first of its kind' or breakthrough innovations.

Leadership

Innovation must be led from the top down. Creating a culture of innovation in every department and involving every employee will set you up for success. Also, don't assume that those with the most hotel experience will have all the knowledge needed to innovate – some of the best ideas can come from outside the sector⁹ or from the wider team across the hotel.

Great innovation can start with a simple idea There's usually no such thing as a bad idea – it might just be that the timing isn't right. When you gather innovation ideas from your team, keep every idea on file and regularly review them.

The **Innovation Exchange**, developed by Furthr and Skillnet Ireland, is a marketplace that links organisations that are trying to solve problems with SMEs that provide innovative solutions. [Read more](#)

⁴ [Booking.com, 2022 Sustainable Travel Report](#)

⁵ [Savills, August 2020, Being green is good business for hotels](#)

⁶ [Skift, 2022, New Research: The 2022 Digital Transformation Report](#)

⁷ [EHL Insights, 2022, Driving Hospitality Innovation](#)

⁸ [CoStar, May 2022, Pandemic Transforms Hotel Industry From Laggard to Innovator](#)

⁹ [CoStar, May 2022, Pandemic Transforms Hotel Industry From Laggard to Innovator](#)

WHAT DOES THIS MEAN FOR HOTELIERS?

To drive innovation as a core competency in your hotel:

1. Realise that innovation is a mindset and an ongoing journey.
2. Don't limit innovation to firefighting against challenges; make it central to day-to-day interactions and operations.
3. Know that innovation can be either big or small initiatives, technological or non-technological improvements. A good example of a technological innovation is a digital kitchen board instead of handwritten paper docket; a good example of a non-technological innovation is linking in with your local greenway, blueway or mountain bike trail to develop a new experience for guests.
4. Empower your team to devise and implement innovation – this can help with motivating and engaging employees and retaining them for the future.
5. Make innovation everyone's responsibility; your people have ideas to improve the business and the guest experience – and they appreciate being asked for them.
6. Create simple goals, systems and processes – the challenge is to keep it simple.
7. Draw on guest feedback – remember that through innovation you are not just thinking about the needs of your customers today, but for tomorrow and into the future too.

INNOVATION IN PRACTICE

At **Cliste Hospitality**, innovation is central to how the group operates and manages its portfolio of hotels. So much so that **David Jordan, the group's Director of Strategy, Research & Innovation**, strongly believes that innovation is the solution to many of the challenges being faced by the hotel industry.

Although some organisations find innovation somewhat mystifying, David believes that we all have what it takes to make innovation happen and that it will thrive in organisations where the priority is to get teams to think more creatively, and where there is a willingness to challenge the status quo. He also stresses the importance of not needing unlimited finances and resources to develop innovative strategies.

At Cliste, gathering ideas from across their teams is an essential component of their innovation strategy and their approach to this has been one of the group's most successful process innovations; they created a virtual suggestion box to which people could email their ideas. Then ideas are transferred to a portal where each one is acknowledged, reviewed, evaluated and actioned by an innovation leader. No idea is ever lost. If it is not suitable today, the group banks it until it might be needed in the future.

David Jordan

Director of Strategy,
Research & Innovation at Cliste Hospitality



INNOVATION AT WORK IN CLISTE

A team member posted the following idea to the Cliste virtual suggestion box: "Cliste should partner with AsIAM (Ireland's National Autism Charity) to create awareness about the sensory rooms in our hotels".

The idea was reviewed, implemented, and developed even further. Now, as well as Cliste and AsIAM working together to let people know about the sensory rooms, AsIAM plan to provide training to all Cliste staff. The process will also see AsIAM draw up recommendations that Cliste will then implement to help achieve full accreditation. Alongside this, a new innovation project will see the enhancement of the grounds of their Sligo property to include a sensory and biodiversity trail.

All of these initiatives come from just one original idea. An idea that added value to the business and the customer. That's innovation!



What's next?

Hotels are operating in a period of sustained uncertainty, where the ability to change in response to external factors can be the difference between success or struggle. Innovation should be central to your response. Set within a culture of strong leadership, where change is not feared but rather new ways of doing things are welcomed, innovation can add value through new practices, new ideas and new services. The advice is to make innovation the norm rather than an occasional endeavour¹⁰.

LOOKING AHEAD

At time of writing, the industry faces significant headwinds. The war in Ukraine shows no sign of ending soon and its consequent effects on energy uncertainty, prices and high inflation present a unique set of challenges. However, there is also room for optimism. The ESRI notes that despite extraordinary uncertainty in the international economy, the Irish economy continues to demonstrate a significant degree of resilience¹¹ and the Central Bank sees modified domestic demand, its preferred economic growth measure, expanding by 2.3% in 2023 and by 3.3% in 2024¹².

Navigating the year ahead will require innovation and a forensic approach to managing energy costs. With this approach, the hotel industry, which has always demonstrated its resilience, can position itself to deal with the challenges that 2023 will present.

Abbreviations

ESG – Environmental, Social, Governance Policy

ESRI – Economic and Social Research Institute

SBCI – Strategic Banking Corporation of Ireland

SEAI – Sustainable Energy Authority of Ireland

SME – Small and Medium Enterprise

¹⁰ [McKinsey, 2022, Fear factor: Overcoming human barriers to innovation](#)

¹¹ [ESRI, October 2022, Quarterly Economic Commentary](#)

¹² [Central Bank, October 2022, Quarterly Bulletin](#)

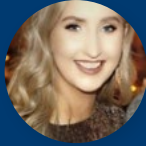
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