

UNIFORMLY WRONG?

Happy Birthday - it is 80 years since the New York Hotel Association first sponsored the Uniform System of Accounts. From this humble start, the book and the approach it preaches are now in use by global, regional and domestic hotel companies around the World. Indeed, as a young Hotel Controller in the late 1970's I was using it at Hotel de la Paix in Lome on the west coast of Africa. In the 1980's, as an active member of the British Association of Hotel Accountants, I was on a working party that provided input into the revisions that became, I think, the 7th edition. Just like RevPAR, the Uniform System has become part of the wallpaper of our industry. The current edition, the 9th, has been with us now for a decade.

So why do I, and others, believe the time has come to for the industry to think again and start to recognize that the Uniform System's sell-by-date has passed.

Firstly, we live in a post-ENRON age in which the world's accounting bodies and governmental regulators have agreed the International Accounting Standards (IAS) that this age of globalized trade requires. All major hotel groups are now publishing their annual, and some, their quarterly and half-yearly accounts, under the dictates of IAS.

But even if IAS didn't exist, we have to recognize that our industry does not make decisions against the data revealed by the Uniform System. Maybe it never did, but it certainly doesn't today. Like all businesses, the hotel industry's central goal is to sell profitably to more and more customers - customers and guests that have different needs of the hotel and its products and services at different times. Our business model is designed to price our inventory (bedrooms or meeting rooms) to attract different target markets at different times of the week and year with different offerings. We do this by understanding the profitability of customers, groups of customers and channels. The data that allows management to build up this understanding does not come from the Uniform System so we have all designed ad hoc reporting and analysis systems to provide management with the information it actually needs to manage the business profitably.

We don't change the supplier of meat just because the Uniform System food cost percentage is adrift from budget; rather we look at all aspects of procurement and menu design and we manage the supply chain to optimize quality, both labor and raw cost, as well as waste.

Again the Uniform System does not provide management with the knowledge we need to run our businesses.

These are but two examples of course.

So a few years ago a few European hotel group CFOs (representing Rezidor SAS, Marriott, Mövenpick, Kempinski, Moat House, Corinthia and De Vere) started to sponsor a PhD research program at Oxford Brookes University in England which has been supervised by Professor Peter Harris to develop an alternative system - one based on the processes (activities) we have in the industry rather than the operating departments that existed in hotels last century. The work is now concluding and has recently been recognized by the British Association of Hospitality Accountants. The financial information needs of the sponsoring organizations were sought at the outset with one sponsor providing fieldwork access for collection and analysis of data for the development of a suitable customer profitability model. Thus, with sponsors input, the outcome is likely to meet the needs of their internal customers.

While this may not yet signal the death of the much-loved Uniform System, it will serve to significantly enhance the quality of business decision-making at the property level.

In any event, ask yourself, what other management tool used by this industry is essentially unchanged for the last four generations?

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