

## Uniformly wrong

It is 80 years since the New York Hotel Association first sponsored the Uniform System of Accounts – and it's been with us ever since. From a humble start, the book and the approach it preaches are now in use by global, regional and domestic hotel companies around the world.

As a young hotel controller in the 1970s, I was introduced to it at Hotel de la Paix in Lome Togo on the West Coast of Africa where a now-defunct management company called Hotafric, populated by ex-InterContinental executives, had adopted the approach for management accounting (although we also had to keep books in the 'Plan Comptable' developed for the country by its French colonial masters.)

In the 1980s, 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 seventh edition. I recall even then we were concerned to address the accounting for package pricing consistently. So just like RevPAR, the Uniform System has become part of the wallpaper of our industry. The current edition, the ninth, has been with us now for a decade.

So why do I, and others, think the time has come to for the industry to think again and perhaps recognise 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 that this age of globalised 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 recognise that our industry does not make decisions against the data revealed by the Uniform System. Like all businesses, the hotel industry's central goal is to sell profitably to more and more customers – customers and guests who have different needs of the hotel and its products and services at different times.

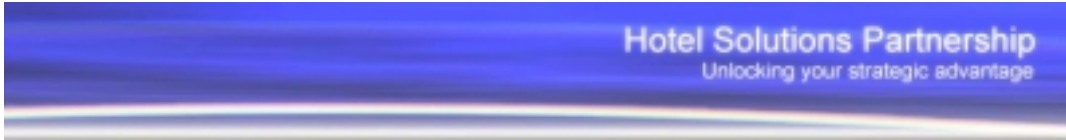
Our business model is designed to put our price our inventory (bedrooms or meeting rooms) to attract different target markets at different times of the week and year with different offerings. We do this by understanding the profitability of customers, groups of customers and channels. The data that allows us to build up this understanding does not come from the Uniform System, so we design ad hoc reporting and analysis systems to provide management with the information it actually needs to manage the business.

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 optimise quality, both labour and raw cost, as well as waste. Again, the Uniform System does not provide us with the knowledge we need to run our businesses.

These are but two examples, of course.

So I was pleased to accept the challenge a few years ago of persuading a few European hotel group CFOs (including those from Rezidor SAS, InterContinental, Sol Melia, Kempinski) to sponsor a PhD student at Oxford Brookes supervised by Professor Peter Harris to work on a three year assignment to develop an alternative system – one based on the processes we have in the industry (activities) rather than the management departments that existed in hotels last century.

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The work is now concluding and has recently been recognised by the British Association of Hospitality Accountants. The CFOs have been involved throughout and the outcome is, therefore, likely to meet the needs of their internal customers.

I hope that this signals the overdue death of the much loved Uniform System.

Ask yourself, what other element of this industry is essentially unchanged for the last four generations?

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