



## Leisure: It's simple, but not easy...

*Success in leisure means supplying the right things or services from the right outlets to the right people at the right price. It's a growth industry but that's not a secret and, with historically low barriers to entry and a glut of capital looking to make an acceptable return, industry over-supply can often be more of a problem than slack demand.*

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## EXECUTIVE SUMMARY

### The Hospitality Industry – An eventful 12 months...

Hospitality trends, themes & major issues:

#### Introduction

Langton's Premium Email launched around 12mths ago and, during its first year in operation, it has comprised a body of research & published opinion on a wide range of topics. Here we curate an updated selection of articles to logically sequence some major issues.

#### The Economy

In order to set the scene, we cover the economic situation and a number of broader sectoral trends. Business confidence impacts investment decisions, these affect recruitment and the jobs market impacts consumer confidence. Consumer confidence affects the would-be customers' decisions to spend and this, alongside access to cash, drives revenues.

#### Valuations & Accountancy Measures

What gets measured, gets done. Hence, the decision as to what KPIs should be targeted is important and, whilst many are useful, few are without fault. Operating profits highlight the performance of the company's assets but interest and tax stand between this line in the P&L and the shareholder. Meanwhile, EBITDA, a widely used measure, seems to take for granted the fact that assets last forever, tax doesn't need to be paid and interest is optional.

#### Behavioural Economics

Here we acknowledge that markets are peopled by, well, people. They are impacted by greed, fear, fashion, FOMO and all the rest, none of which is picked up by even the best of economic models. Everyone is a better-than-average driver (*the optimism bias*), people are influenced by the obvious (*the familiarity bias*) and they don't want to know what they don't know (*the confirmatory bias*).

#### Major Current Issues

This comprises the largest section within the report with several themes coming to the fore including: CVAs, ongoing discounting, rising costs, wage hikes & labour shortages, the emergence of delivery and the phenomenon of crowdfunding. Operators' natural optimism alongside cheap and easy money has led to a surge in capacity and several associated problems. Taking capacity out of the market is much more easily said than done.

#### Private Company Reports

Following this section, we look at a selection of private, unlisted companies. There will be omissions here but, as private companies (some of which, Pizza Express, Stonegate, Nando's etc, are quite large) do not get the airtime that their listed competitors receive, we consider an overview to be of some interest.

#### Selected Book Reviews

Finally, we include several book reviews. After all, why reinvent the wheel? It may be a tad heretical, but we believe that many books, even ground-breaking ones such as *Thinking Fast & Slow* or *Irrational Exuberance*, are 'too' long. With all due respect, we think that many key points can be made succinctly and here we try to get to do just that.

#### Conclusion

The conclusion at this stage may be that there is no conclusion. This for the very real reason that we operate in a continuum where there is no obvious end (either good or bad) in sight. The only constant is change and operators need to ceaselessly evolve their offers.