FUTURELOG

Why Smart Hospitality Companies are Accelerating CAPEX Digital Transformation

HOW MODERN CAPITAL EXPENDITURE SOLUTIONS
LEAD TO EFFICIENCY, SAVINGS AND LONG-TERM GROWTH

Historically, hospitality professionals have viewed procurement as a cost centre. But now, after years of social, economic, and political upheaval, procurement is evolving into a strategic function that helps hospitality organisations realise their broader business goals.

Look no further than CAPEX (Capital Expenditures), funds used to obtain or maintain assets with a useful lifespan exceeding one year. According to McKinsey research, strategic CAPEX management can reduce overall capital spend by 15% to 25%, along with a 2% to 4% return on invested capital (ROIC) improvement. What's more, some of the surveyed firms were able to minimise year-on-year portfolio spend by an astounding 50% with best-in-class CAPEX management.

Capital expenditures, like equipment upgrades or property, are considered investments, not costs, and are therefore listed on the balance sheet rather than the income statement. When done well, capital investments can serve as significant revenue opportunities—especially as hospitality CAPEX reaches record highs at 9% of overall revenue spent—generating long-term value and attracting guests with enhanced experiences.

9%
CAPEX record high of overall revenue spent

15-25%
potential reduction for capital spend with strategic CAPEX management

Yet, hotel owners often lack the time and resources necessary to plan for and optimise CAPEX projects. This can impact a business's competitive advantage, jeopardise franchise affiliations, and even result in asset loss. Such risks can be avoided through strategic, proactive capital planning aided by the right technology. By digitally transforming the CAPEX function, hospitality businesses can better maintain their assets while boosting guest satisfaction and unlocking long-term value.

Hospitality CAPEX projects are prone to delays and cost overruns

CAPEX management enables hotel owners to keep better track of their assets and make more informed investment decisions. In hospitality, this is key to ensuring that facilities, furnishings, and other equipment are replaced or upgraded to maintain customer satisfaction and business continuity. A strategic approach to CAPEX prioritises projects that are most likely to positively impact the guest experience and provide a return on investment (ROI) both immediately and in the future.

- **Economic Conditions.** Factors like pandemic recovery and inflation have prompted many hospitality businesses to postpone CAPEX projects in an effort to save costs. Hoteliers that continue putting off investment risk deterring customers with outdated or unreliable facilities and services.

- **Staffing shortages.** End-to-end CAPEX processes are complex and time-consuming, involving input and validation from several stakeholders. Hotels often lack the resources and talent needed to realise an effective CAPEX strategy. Over two-thirds of hotels surveyed by the American Hotel & Lodging Association (AHLA) reported persistent staffing shortages last year.

- **Price volatility.** Price volatility and inflation remain a major challenge for procurement teams, making it difficult to estimate project costs. Disruptions at the Suez and Panama Canals also signal a new era of supply chain bottlenecks that could affect capital spend and material availability for equipment or renovation projects. Without the right approach, hoteliers are likely to exceed budgets or encounter project delays.

- **Short-term approaches.** Hospitality leaders may be tempted to make CAPEX decisions based on immediate financial challenges, such as addressing supply chain bottlenecks and sudden price hikes. This approach can impact capital spend ROI, focusing on short-term value rather than meeting more holistic goals.

- **Legacy systems.** Using manual processes and clunky software like spreadsheets to manage CAPEX is slow, error-prone, and tends to become siloed. This means that key stakeholders may be overlooked, while inaccurate or missing data could lead to poor financial decision-making.

How digital transformation is enhancing capital expenditure

Upgrading legacy systems is a critical first step for hoteliers seeking to modernise their CAPEX strategy. Digital transformation is permeating all levels of hospitality management, from guest services to booking systems, and procurement is no exception.

What does digital transformation look like for capital expenditure management? Emerging software allows hotels to consolidate CAPEX activities in one place. This type of platform also serves as a source of truth for the latest capital expenditure data and allows stakeholders to collaborate and plan projects easily. Analytics and reporting features empower hospitality businesses to forecast the impact of their investments and make more informed decisions. **Here's a closer look at how hoteliers can benefit from a digital CAPEX solution.**

Enhance visibility into capital expenditures

Because digital solutions centralise all your CAPEX data, stakeholders can easily access a complete overview of your capital investments and budget status. Users can compare planned expenditures with actual spend and evaluate whether CAPEX behaviors align with the business's policies and long-term objectives. Analytics dashboards provide a high-level perspective on capital expenditures, while information like team feedback and supplier estimates enable users to assess CAPEX performance on a more granular level.

Plan investments more proactively

Comprehensive data visibility allows hospitality businesses to better anticipate asset lifecycles and accurately forecast and plan capital expenditures. Users can evaluate historical project cost information within their portfolios to build realistic budgets and allocate funds. CAPEX software also supports cost-benefit analyses, enabling users to compare the long-term ROI for strategies such as leasing versus purchasing assets. Additionally, data integrations, including external market insights, help hoteliers prioritise projects based on forecasted demand and economic activity.

Collaborate in real-time

Real-time collaboration functionality in CAPEX software is crucial since stakeholder oversight can impact CAPEX outcomes. For example, restaurant professionals may have specialised perspectives on how to save costs when upgrading kitchen appliances. Teams can also co-evaluate the pros and cons of different capital expenditures to triage investments and find the best option. Digital solutions with integrated messaging and centralised document management facilitate a collaborative approach, making it easy for various departments to coordinate and assess CAPEX proposals and approvals. Activity log features also improve stakeholder communication and transparency, ensuring everyone stays up-to-date on a project's status.

Streamline the CapEx lifecycle for further cost savings

Modern software helps address resource and talent shortages that contribute to poor CAPEX performance in the first place. For instance, tools like FutureLog automate proposal submissions, approvals, and performance monitoring so users can focus on more value-generating tasks like building strong supplier relationships. Automations minimise the administrative costs associated with managing complex CAPEX pipelines while shortening approval timelines and avoiding project delays.

Achieve your growth goals with a digital CapEx solution

Digital platforms are revolutionising how hospitality leaders approach capital expenses, helping turn assets into key revenue drivers. By making proposals, approvals, performance data, and communications more efficient and accessible, hoteliers can reduce risk, regain financial control, and ensure that CAPEX projects directly support business goals. While this approach is key to sustaining reliable facilities and services, sophisticated management software is a prudent investment for any hotelier looking to strike a balance between maintenance CAPEX and projects for long-term growth.

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ABOUT US

FutureLog is the leading procure-to-pay solution for the hospitality industry, streamlining the entire procurement process from ordering to invoicing. We empower hotel groups and restaurants to enhance operational efficiency and transparency by providing a suite of fully integrated, cloud-based tools for game-changing automation and AI-powered precision.Unlike manual processes or siloed approaches, FutureLog's software delivers seamless connectivity between suppliers and businesses, helping our customers reduce costs, improve accuracy, and make data-driven purchasing decisions.