



UK HOSPITALITY INDUSTRY REPORT

May 2022



MANGAL ANALYTICS AND
RESEARCH CONSULTING

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Market Overview

The hospitality industry in the United Kingdom has become dynamic, with respect to the investment volumes recorded, due to the uncertainty that surrounded by Brexit. The investments in the hospitality industry rose in 2018. The average room rate (ARR) for the United Kingdom was around GBP 87, whereas the same for London was around GBP 150 in 2018. The occupancy rate (OR) for the same year was 78.8% for the United Kingdom and 84% for London. The revenue per available room (RevPAR) of the United Kingdom was settled at GBP 67.5, whereas for London, it was at GBP 124, making London the biggest contributor to the overall industry.

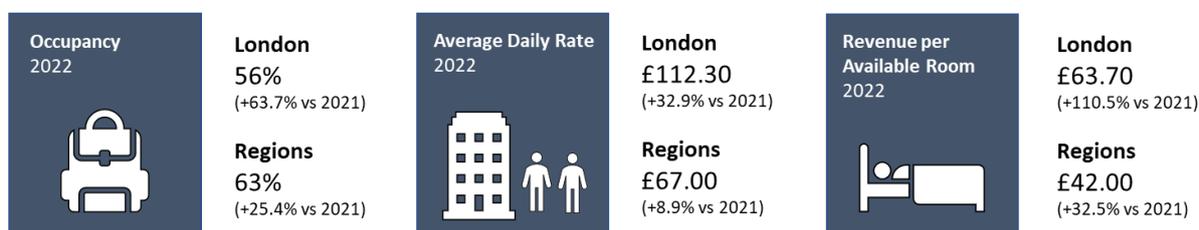
The demand for new hotels is expected to increase, especially in London, owing to the increasing number of travelers to the United Kingdom. The impact of the Brexit uncertainty is affecting the investment environment, yet the growing demand is helping the country attract investors. The number of serviced apartments and shared spaces is increasing in the country, and this is making the country, especially London, an affordable place for many millennials and the younger generations.

- Market Size and Growth

The market size, measured by revenue, of the Hotels industry in UK is £15.1bn in 2022. The market size of the Hotels industry in the UK has declined 6.6% per year on average between 2017 and 2022.

The Hotels industry in the UK is the 3rd ranked Accommodation and Food Service Activities industry by market size and the 67th largest in the UK. According to the Govt of UK, in 2019.

Hotels Forecast in Numbers 2022 – Moderate Rebound Scenario



Source- Econometric forecast 2021, PwC.

Key Performance indicators for the Hospitality industry:

	Occupancy		Revenue per Available Room		Average Daily Rate - ADR			
	London	Regions	London	Regions	London	Regions		
2019	83.40%	75.80%	2019	£127.66	£58.13	2019	£153.07	£76.68
2020	36.70%	41.34%	2020	£34.92	£25.45	2020	£95.13	£61.58
2021	34.21%	50.09%	2021	£30.26	£31.97	2021	£84.48	£61.59
2022	55.99%	62.83%	2022	£94.55	£42.36	2022	£112.26	£67.05

- Market Segments

By Type

Chain Hotels: Are defined as hotels under the ensign of a hotel group. Example – Marriot International.

Independent Hotels: Is a hotel which is independently owned and run.

By Price Segmentation

Service Apartments: Is a fully furnished apartment, available for both short-term and long-term stays, providing amenities for daily use, housekeeping and a range of other services, all included within the rental price.

Luxury Hotels: Are hotels that have a 4-to-5-star rating, and provide luxurious accommodation experience to its guests.

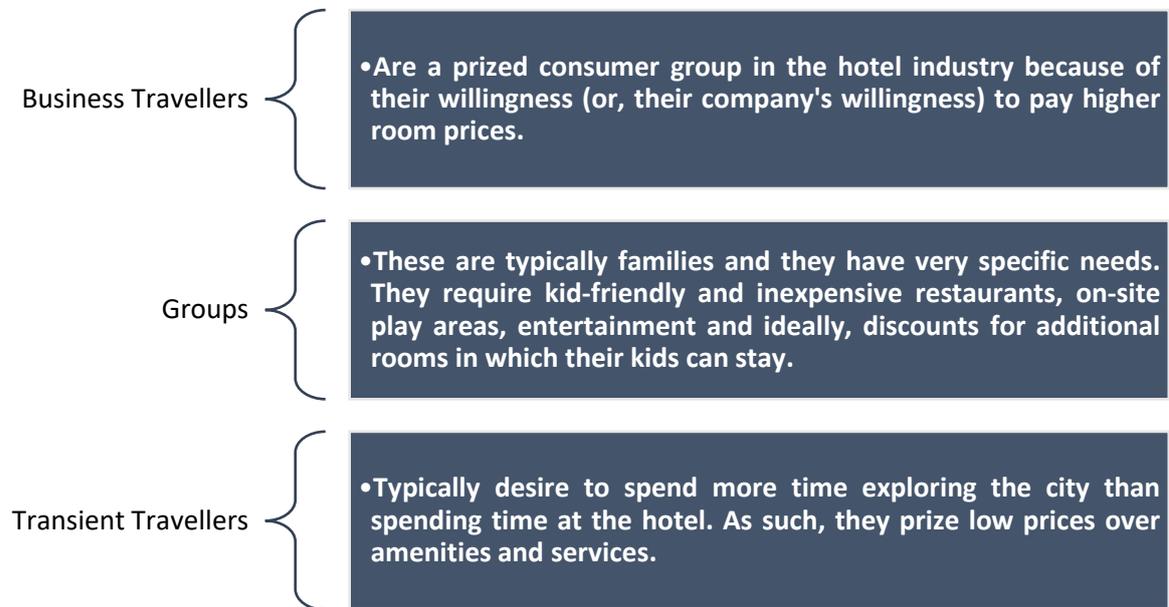
- Key Players

	PREMIER INN	HOLIDAY INN	HILTON
Profile	Premier Inn has established a very good brand image over the years. Kid-friendly and bike-friendly image coupled with free Wi-Fi 24/7 has been a great selling point for the hotel. It was voted the 'Best UK economy hotel brand' at the British Travel Awards 2017 for the 7th consecutive year.	High brand recall and visibility due to excellent advertising. Holiday Inn has also been successful as it adapts very quickly to meet travellers' primary needs and, as a result, provides excellent value.	Hilton provides Excellent service, complimentary breakfast and Wi-Fi, sustainable practices, and great hotel design.
ESG	Premier Inn-owner Whitbread (WTB.L) pledged to attain net zero carbon emissions by 2040. They have been focusing on lowering energy consumption and reducing waste. They aim to procure 100% of their critical commodities sustainably.	Holiday Inn has introduced a programme named "Journey to Tomorrow". The series aims to make a positive difference to people, communities and planet over the next decade.	Travel with Purpose is Hilton's Environmental, Social and Governance (ESG) strategy to drive responsible travel and tourism globally. Through Travel with Purpose, Hilton seeks to create positive environmental and social impact across their operations, supply chain, and communities.

Consumer Analysis

- End-User Segmentation

The three most basic segments are transient (individual travellers), corporate (business travellers), and groups. These are broad segments that have a lot of sub-segments. For example, the group segment can be further segmented into weddings, corporate meetings, government groups, etc.



- Buyer Need Analysis

- 1. Backpackers and Solo Travelers:** Backpackers and solo travellers often prize low prices over amenities and services. Because this group often craves socializing with other travellers as part of the experience, hotels often create common lounges and communal areas as part of the property.
- 2. Couples:** Couples are another demographic of the hotel industry. Couples seek quiet premises, candlelit restaurants and high-quality bedding. Though couples may go offsite to enjoy surrounding attractions, a premium is placed on room interior and hotel conditions.
- 3. Families:** Families have very specific needs. They require kid-friendly and inexpensive restaurants, on-site play areas, entertainment and ideally, discounts for additional rooms in which their kids can stay. Couples with babies require additional amenities, such as booster chairs, wide stroller-friendly paths and changing stations. Open air spaces are also desirable for parents with loud, raucous children.
- 4. Business Travelers:** Business travellers are a prized consumer group in the hotel industry because of their willingness (or, their company's willingness) to pay higher room prices. This group prizes fast Internet access, access to electronic devices like fax machines, printers and scanners and access to lounges. They also have a tendency to remain in their room most of the time, thus requiring hotels to provide attention to detail regarding quality of bedding, room service offerings and furnishing, such as desks with Internet access.

- 5. Health and wellness travellers:** Aside from travellers in general being more aware of cleaning and sanitization due to COVID-19, wellness travellers are those who are taking a trip to promote their own health and wellbeing. These travellers will most likely be interested in relaxation, detoxing, and practicing healthy habits during their trip. Some will be more concerned with physical wellbeing, so things like fitness and outdoor excursions will be important to them. Others will be focused on mental wellbeing, so meditation rooms and complimentary access to apps like Headspace could be appealing.

COVID-19 Impact

Monthly air passenger arrivals to the UK fell from 6,804,900 in February 2020 to 112,300 in April 2020, a fall of 98.3%. Greater London saw the largest fall in room occupancy of any English region from 2019 to 2020, with just 20% of rooms occupied in July 2020, compared to 90% in the same month in 2019. Accommodation and travel agency businesses saw the sharpest decline in turnover during the first national lockdown, falling to 9.3% of their February levels in May 2020. The proportion of businesses in travel and tourism industries trading peaked at 85% in October 2020, before declining in response to increasing restrictions in November 2020.

In the three months to June 2020, employment in accommodation for visitors fell by 21.5% compared with the same three months of 2019. In travel and tourism industries overall, the number of people aged 16 to 24 years saw the largest fall in employment of any age group between Quarter 3 (July to Sept) 2019 and Quarter 3 2020.

Consumer spending on hospitality started to increase in May 2021 but remained at less than 70% of pre-pandemic levels; a similar picture is seen in turnover - in May, it remained one-quarter lower than 2019 levels. Spending by businesses in the hospitality sector has seen smaller increases compared with consumer spending in May 2021; payments to suppliers from food and drink businesses have remained around half of pre-pandemic levels.

According to PwC, Staycations have provided a significant boost for coastal and leisure destinations, with occupancy and ADR in August 2021 significantly outperforming August 2019, but some cities and non-tourism destinations are still experiencing dampened demand. Ongoing fixed costs and accumulating debt alongside persistent low revenues and cash reserves are a major concern for the hotels in hospitality sector during covid -19.

Opportunities and Challenges

Opportunities:

- 1. London's Image as a Tourist Destination is Driving the Market:** There are more than 88 new hotel projects in the construction pipeline in London, and more than 16,000 rooms are expected to be added to the supply. The pipeline has international brands and domestic brands that are targeting the luxury segment of the industry. London is registering a growing RevPAR year-on-year. The growing RevPAR is helping the city attract more new projects and investors.
- 2. Huge Scope for Technology:**
 - Utilising Artificial Intelligence in customer support (Chatbots)
 - Upgrading the Property Management System
 - Greater use of Automation for check-in and check-out
 - Using Robotics for automatic some part of service
 - Blockchain for an enhanced payment security

- Cloud technology for saving on server resources
 - Augmented and Virtual Reality helps in richer consumer experience.
- 3. Millennials are the new key target segment for hotels:** Millennials are creating huge opportunities for the hotel industry. They love to travel. They love technology. They care for sustainability. They love green tourism. There is a huge crowd that has become the decision-maker for travel and lodging.
 - 4. Online Booking:** Hotels could have a website and a page on different social media platforms. Tourists shouldn't have any difficulties to reach out to any hotel. If you're available online, then companies can ask them for booking and payment to be done online.

Challenges:

- 1. Artificial growth via investments:** Growth recently in the UK hospitality was fuelled by influx of investments, against a backdrop of decline in visitor foot fall.
- 2. Operations on small margins:** Many Hotel businesses in the UK run on thin margins, and with low cash holdings, which is because of the high levels of fixed costs associated with the operations.
- 3. New COVID variants:** With the possible fear of new upcoming variants, a threat of restrictions and potential lockdowns will always loom over hospitality industry in the UK. Hotels need to have flexible operations and contingencies planned to tackle this challenge.
- 4. A demand for experiences:** The rise of the experience economy, the disruption Airbnb brought the industry, and the expectations of a personalised guest experience have changed what guests want when they travel. A "stay" is not enough – the guests want an experience.