



UK HOTEL DEVELOPMENT TRENDS

Research Study



FACTORS ENCOURAGING UK TOURISM IN 2020

Even though the sector was severely hit by the pandemic, there are signs that economic growth will surge in the second half of 2020.

Although the London market's potential rebound seems optimistic, it will take some time to recover once **COVID-19** is contained and **travel restrictions** ease down. Assuming that the **hotel market reopens by the end of Q2/20**, a full market recovery would be anticipated within **18 months** (by the end of 2021) and with further specific market growth thereafter.

In December 2019:

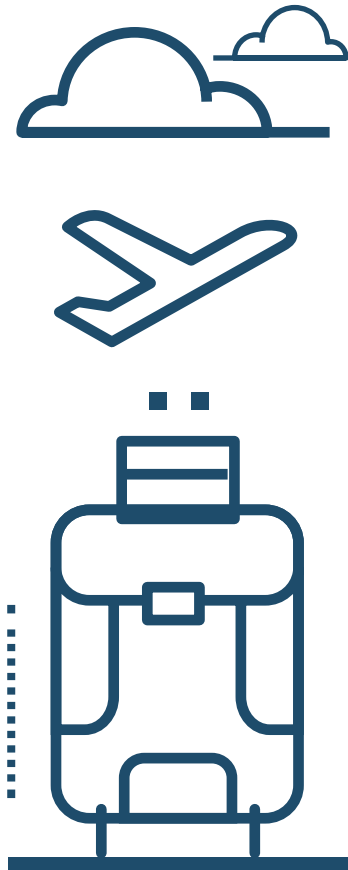
- VisitBritain predicted 39.7million overseas visitors would come to the UK in 2020.
- Their spending was expected to increase by 6.6 percent compared to 2019.
- Future bookings to the UK are primarily from China and South Asia.
- Data from ForwardKeys, a flight data analysis firm, showed that the overall flight bookings to the UK from December 2019 to May 2020 rose by five percent compared to the same period last year.
- Before the pandemic, around 35,000 rooms were under construction in the UK, which were expected to open by 2023.¹
- According to the London Convention Bureau, 65 new hotels were expected to open up in London in 2020, which meant 7,995 hotel rooms. This remarkable investment will add 14,840 rooms in 121 new hotels for 2019 and 2020.²
- Growth, driven by international inbound demand, was quite strong in 2019. There has been a 3% growth in RevPAR (revenue per available room) in Q3/19 in London compared to 1% growth across the UK as a whole.³
- Hotel supply in London was forecasted to rise by 4.5% in 2020.⁴

1 <https://www.knightfrank.co.uk/research/article/2019-09-09-overview-uk-hotel-development-opportunities-2019>

2 <https://natwestbusinesshub.com/articles/london-hotel-market-the-outlook-for-2020>

3 <https://natwestbusinesshub.com/articles/london-hotel-market-the-outlook-for-2020>

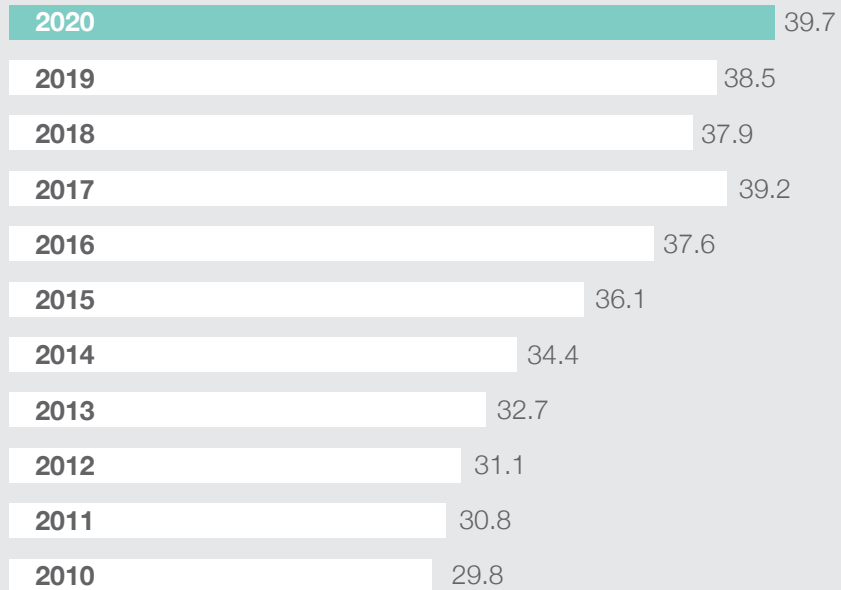
4 <https://www.knightfrank.co.uk/research/article/2019-09-09-overview-uk-hotel-development-opportunities-2019>



VisitBritain #2020forecast

Overseas visitors to the UK

Key: Visitors/millions Expected visitors/millions



Source:
https://www.dailymail.co.uk/travel/travel_news/article-7837399/Britain-welcome-record-number-international-tourists-2020-spend-26bn.html

Top 20 UK Cities

By Knight Frank UK



In 2019, all of the top five cities for hotel development in the UK achieved index scores between 1.30 and 1.35.

The Knight Frank analysis reveals that Edinburgh has secured the top-ranking position as one of the top three most attractive cities for a third consecutive year.

London leapfrogged the index, moving up ten places and ranking second place as the most attractive UK city for development with an index score of 1.34. Brighton retained its position in the top three despite falling one place in the rankings with a score of 1.32.



Source:
<https://content.knightfrank.com/research/1264/documents/en/uk-hotel-development-opportunities-2019-6651.pdf>

CHALLENGES IN THE HOSPITALITY INDUSTRY

Innovative Technology

The electronic check-in is the latest technological trend, which many hotels have already implemented throughout the industry. However, many hotels have experienced significant challenges with this transformation.

How it works

When clients plan their trips, hotels register the guests and send key cards, equipped with innovative ID recognition systems that use frequencies.

Upon a guest's arrival, a text message is sent to their mobile phone, which includes their room number and check-in time among other details.

Once the guest arrives at the hotel, they don't have to confirm at the front desk. They can proceed directly to their room and enter with the key-card.

Small and major hotels that use this technology will see their revenues and profits increase. However, if they don't catch up with the pace of other hotels, things might take a turn for the worse.

Reputation Management

A hotel's reputation is built from guests' feedback through online reviews, comments and photos. Most reviews are posted on high ranked social media platforms, i.e. Instagram, Facebook, Yelp and TripAdvisor. Employees in the hospitality industry constantly strive to establish relationships with guests.

Negative reviews and comments can destroy a hotel's reputation. Hotels used to respond publicly to their clients' concerns, needs and requests through old fashioned forums.

Today, they need to embrace change and use online platforms like Facebook to manage their reputation effectively.

Acquiring and Retaining Talent

The hospitality sector's success and growth depend on global and local economies. Maintaining adequate employees will be crucial in the coming years. In 2016, the hospitality industry employed 15,000 workers. This number is expected to reach 17,000 by 2026.

As the industry continues to expand, attracting and retaining top talent will be top priority. Companies need to hire and retain employees with top skills to gain the competitive advantage.

According to statistics, about one-third of workers quit their jobs after working for just six months. About 45 percent of workers manage to hold on to their jobs for an average of two years.

The industry will have to devise specific techniques to retain top talent. Referral hiring is a significant method to safeguard such talents.

The industry will have to adopt processes that will enhance the productivity and morale of workers. Flexible work schedules, automated functions and attractive incentives are a few ways to motivate employees.

Increasing International Travel – Better Customer Knowledge

International travel grows more and more every year. The hospitality sector is expected to offer domestic and foreign visitors a unique experience over the next three years. Therefore, staff should become more familiar with different cultures.

International travellers have different expectations. Wide-ranging cultural diversity will be a challenge that most hotels will face, especially the small ones.

Hiring workers who are proficient in many languages, is essential for providing information and services to clients. Google recently launched earbuds that could assist hotels in tackling this challenge. The wireless headsets can automatically translate 40 languages.

Personalising the Client Experience

Travellers are accustomed to streamlined and personal shopping experiences. The digital age has led people towards an increased desire for more personalised travelling and lodging experiences.

However, capitalising on this trend has been a significant challenge for hotels and the hospitality industry as a whole.

People travel occasionally, somewhere between one to three times a year. This doesn't offer hotels the opportunity to learn more about their clients. It gives them fewer opportunities for attracting their clients back for another stay.

Hotels will have to consider decorating their infrastructures with unique interior designs and offering their guests local drinks and food. They have to come up with memorable activities and increase social media traffic if they want to improve their client experience.

Remaining Competitive in the Airbnb Era

The emergence of companies like Airbnb has altered travellers' experiences, especially when it comes to lodging. Accommodation websites have changed the mindsets of tourists, from a standard hotel room to a homey experience.

Prices are also a concern when seeking lodges and hotels. Over the previous years, Airbnb had received its fair share of challenges, ranging from burglaries and property damages.

Hotels can use this as an opportunity and promote security and safety policies in their services to lure travellers.

Offering Loyalty Programmes

This is another critical challenge that hotels are currently facing and will inevitably face in the coming years. Acquiring direct clients has posed numerous problems for hotels. This has led big hotel chains to compete against each other for grabbing the attention of direct clients. This implies that independent and hotel chains should start promoting loyalty programmes that include discounts and special offers.

Cyber Security

Threats of digital data theft, virus attacks and confidential data leaks are a major concern for hoteliers. Business owners now invest in the credibility of hotels with secure software to prevent data leaks.

Marketing Challenges for Local Businesses



Traditional Marketing is Ineffective

Changes in advertising and marketing trends often create a problem for hoteliers. Today, the traditional marketing methods have proven to be ineffective. Online marketing is a surefire method. Online deals are booked by genuine guests and major transactions are paid in advance.

Digital marketing channels & trends that hotels should implement:

- Virtual Reality (VR)
- Augmented Reality (AR)
- 360° Videos
- User-Generated Content
- Chatbots

Limited Marketing Budgets

Most hotel brands create fixed monthly budgets for their campaigns, potentially restricting the effectiveness of marketing and reducing flexibility during periods of high demand. Moreover, many franchisees do not allocate enough marketing capital towards developing high-value campaigns.

Mobile Searches & Bookings

Today, more and more people search for new businesses by using their mobile phones, hence the focus is on creating responsive and mobile-friendly websites. This simply means that websites can easily be viewed and navigated via any mobile device and screen size.

Since the average user searches for restaurants and hotels from their mobile device, the website should cater to this crowd. This actually targets the mobile user with marketing techniques that will place the business at a high level in the SERPs (Search Engine Results Pages).

INDUSTRY THREATS



The industry faces a

66%

reduction in job vacancies,
according to an analysis of
the latest job market data.⁵

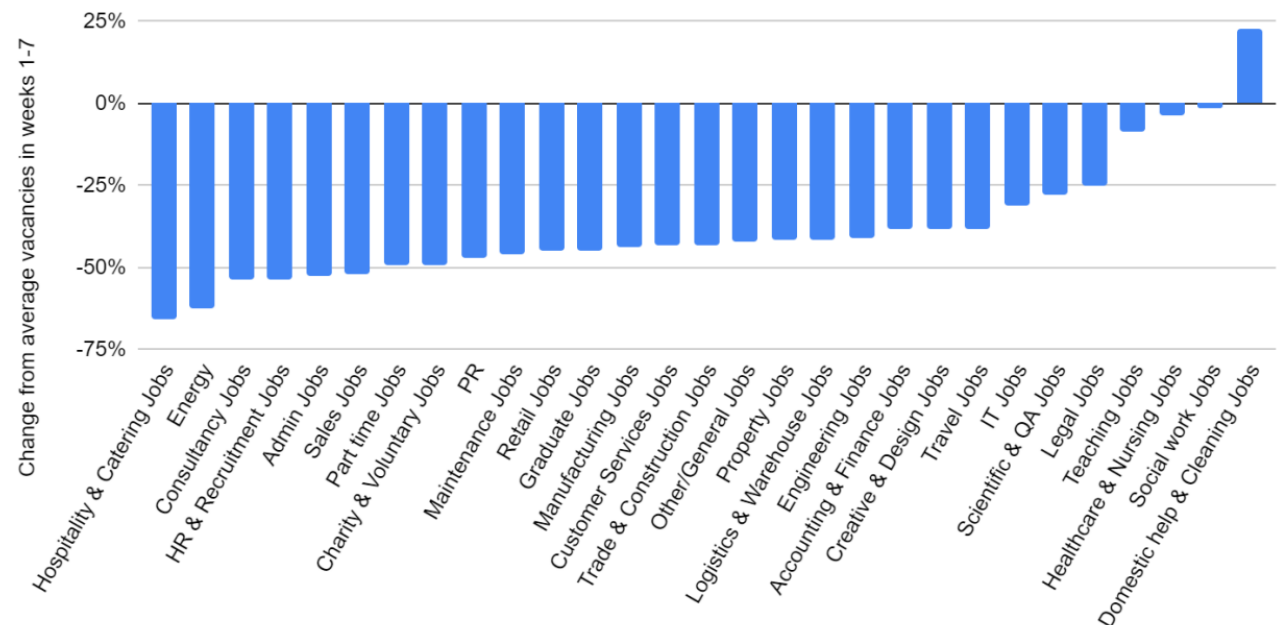
⁵ <https://uk.finance.yahoo.com/news/coronavirus-travel-and-hospitality-hardest-hit-as-covid-19-continues-to-ravage-uk-job-market-111320487.html>

Increased Influence from Online Travel Agencies

The commission rate for bookings made through online travel agencies (OTAs) has steadily risen. This has taken a serious toll on hotels' bottom lines.

To combat the increased influence of OTAs, hotel brands must explore direct booking campaigns and encourage loyalty programmes.

Change in total vacancies to week 15 2020 - UK



Source:

<https://uk.finance.yahoo.com/news/coronavirus-travel-and-hospitality-hardest-hit-as-covid-19-continues-to-ravage-uk-job-market-111320487.html>

Changes to a hotel's segmentation mix will ultimately have an impact on its RevPAR; a decline in occupancy is not necessarily required to reduce the room rates in an effort to stimulate demand.

As a result of the UK recession in 2009, the regional market suffered 21 months of year-on-year declines in RevPAR and took five years to recover the losses, which were largely attributed to the reduction in the average room rate. Many lessons can therefore be learned from the financial crisis to prevent a lengthy and painful recovery in the regional markets.

Insurance Policies Do Not Cover Disruptions Caused by the Virus

The UK government added COVID-19 and SARS-CoV-2 to the list of notifiable diseases in England and Wales.

The declaration of a notifiable disease means that medical professionals must report suspected cases to public authorities immediately. The term is also commonly used in certain insurance policies.

The BBC had reported that some small businesses were told that their policies would not protect them against losses until the government made such a declaration.

Coronavirus-related losses will most likely be covered through coverage extensions found in some business interruption policies. These are often triggered by non-physical damages such as the closure of premises or denial of access.

There are extensions that specifically cover infections, contagious diseases or losses from the inability to use the business premises due to restrictions imposed by a public authority. However, there is no market standard for these extensions.

FUTURE GROWTH & EMPLOYMENT SCENARIOS

Recovery Plan for 2020

- Once the economy revives and travel restrictions are lifted, the sector will rebound strongly from its paralysis due to the lockdown challenges.
- V-shaped recovery
During the first few months after the lockdown, occupancy growth will slowly increase with weekend spikes driven by the leisure segment followed by stronger growth in Q4/20 as travel confidence gradually returns. The RevPAR will rebound completely once international borders officially re-open and long-haul inbound visitors return.
- Recovery, particularly for the regional UK market, will focus on driving domestic demand. During a usual, domestic overnight visits account for approximately 76% of total visits in the UK yet represent only 58% of total annual room nights.
- The potential for increased room nights in the leisure segment could be significant with the widespread outbreak of COVID-19 across Continental Europe and the USA, capitalising on a share of the 47 million annual outbound visits in 2018 by UK residents holidaying abroad.
- The traditional 6-week summer holiday period will effectively be extended with all schools closed and deemed unlikely to open until September. This gives families the opportunity to take a UK holiday perhaps in June or early July, assuming the restrictions on social distancing have been eased significantly to allow this. Rural and coastal areas are likely to benefit and see a greater uplift in trading. Therefore, the UK has the potential to benefit from sources of demand that were not at its disposal during the pre-COVID-19 period.
- Sizeable, city-centre hotels in close proximity to hospitals are likely to benefit key medical workers where there is a growing and urgent need for the provision of short-term accommodations. Demand generated from the NHS sector is expected to continue until late September and will play an important role in the early recovery of city-centre hotels in London and other UK regions.
- As restrictions on social distancing are eased down, many hotels may decide to remain closed until they are confident that occupancy levels are sufficient to ensure that any operating losses will be less than the costs of keeping the hotels closed. Thus, many hotels might delay re-opening rather than opening as soon as the restrictions are alleviated. As a result, this could have a positive impact on the trading performance for the hotels that open from the start. Many chains have hotels in different locations, enabling them to open at various phases. Hotels that depend primarily on meetings, conferences and other events may remain closed for a prolonged period of time.
- Once travel restrictions ease down, investment activity will resume but with a time lag because of the due diligence involved. Q4/20 will witness a surge in activity.

Practical Measures in the Face of COVID-19

Workplace Health and Safety



Employers have a duty to ensure that they are taking all necessary steps to protect their employees and customers, including guidelines on social interaction, health, childcare support, new communication activities and working remotely. Employers need to be particularly aware of increasing levels of frustration from clients due to supply shortages and unavailability while supporting their employees who face complaints, verbal and even physical assaults.



Planning Crisis Management

Response teams will be defining and implementing new business models while managing a myriad of resource challenges. Flexibility and quick decision making are prerequisites to overcome supply chain constraints, demand shocks and rapidly changing consumer buying habits.

Measuring and Managing Losses



It is vital to set up processes to quantify and measure trading reductions (or increases) to support refinancing, investor expectations, and claims. The government or suppliers will be critically important in assessing opportunities to pursue recoveries from insurers.



Supporting Recovery

This phase will typically involve financial modelling, refinancing, further business model changes, volume upscaling, workforce expansion and training.

All these efforts may need to be supported by innovative social media campaigns and brand re-positioning efforts.

NATIONAL HOTEL DEVELOPMENT



- Both three- and four-star hotels witness strong growth because of Lifestyle Hotels, a new generation of design-led and technology-focused hotels, with full connectivity in terms of Wi-Fi and bandwidth capabilities that enable guests to use multiple devices while being away from work or home.
- Edinburgh, London, Brighton, York and Birmingham ranked as the UK's top 5 most attractive cities for hotel development in the Knight Frank UK Hotel Development Index.
- Throughout 2019, there had been increased interest and investment into areas of regeneration and redevelopment. Potential areas for development are Greenwich Peninsula, Canada Water and the emerging areas in East London.

TRENDS AHEAD

Eco Hotels

- **58% of travellers chose their hotel** based on whether the hotel contributed to the community and gave back to the planet.

(Source: <https://www.condorferries.co.uk/hotel-industry-statistics>)

- **70% of travellers** said they would be more likely to book hotel accommodations knowing that it was eco-friendly.

(Source: <https://www.condorferries.co.uk/hotel-industry-statistics>)

Smart Hotels

The Internet of Things (IoT) represents the ability to connect any physical object with the internet. Many hotels have already implemented some forms of IoT to centrally monitor the temperature in guest rooms through sensors installed in the thermostats or heating, ventilation and air conditioning (HVAC) systems. This facilitates a reduction in energy costs, especially from vacant rooms where cooling / heating systems are not used.

Furthermore, IoT plays a critical role in providing the most comfortable, seamless hospitality experience and a luxurious stay for guests by using the data acquired from their previous visit.

Non-Room Revenue Services

Non-room revenue hotel services are a standard source of income for businesses. Restaurants, bars, meeting rooms and spa complexes are some of the most prominent.

HotStats report that non-room revenue accounted for **40% of the TRevPAR** (total revenue per available room) in the UK last year.⁶

Established services, like Open Table, optimise restaurant bookings. Booker does the same for leisure facilities. Tech providers, like Meeting Package, rent out cost-efficient meeting rooms. New revenue streams, such as car parking space rental, can be created with companies like Arivo.

Sustainability

Sustainability remains a key theme for hoteliers in 2020 and developers are embracing ecological designs into new sites with innovations such as living walls, natural building material and solar panels. Even though eco-friendly designs may be more expensive, lower operating costs and greater customer interest will result in better long-term returns.

The Evolution of Food & Beverage Delivery Service

A recent study conducted by Hilton found that 77 percent of customers neither use the minibar and having it delivered want coffee machines in their rooms. Instead, they expect to see hotel-developed apps that facilitate ordering food and having it delivered directly to their room quickly. Hotels that provide in-room dining have gained a competitive edge through apps like Deliveroo and Just Eat.

⁶ <http://thegrowthworks.com/2020/01/29/hotel-trends-2020-disrupting-hospitality/>

TECHNOLOGIES FOR THE HOSPITALITY INDUSTRY

High-Tech Hospitality Trends

The Internet of Things (IoT)

Online access to hotel facilities through guests' mobile devices helps monitor in-room amenities, maintain facilities, reduce energy costs and improve inventory management.

Green hotels and smart energy management solutions will be widely adopted in the sector regardless of hotel sizes. Electricity accounts for 60% of the total expenditures. Smart technology can help reduce expenses as much as 20% while at the same time improve the guest experience.

The IoT's sensors allow hotels to track occupancy patterns, optimise the HVAC consumption and improve the overall energy consumption throughout the year.

The network of connected things also empowers hoteliers to send menu notifications at the right time (when the guests are in their rooms) to make personalised suggestions based on their previous orders.

Data that has been acquired also helps hoteliers understand their guests' experiences and preferences: setting the right temperature for their room before they come in, dimming the lights at bedtime, adjusting the water temperature in the shower, turning off all equipment when no one's in the room.

Voice-Command Technology

A virtual assistant (like Siri and Alexa) is used to handle daily tasks, such as taking food orders, which essentially allows the staff to have more time to focus on handling other complex issues.

The voice-command and natural language processing technologies have flourished recently. Big names in the tech industry have restlessly created virtual assistants that are not only smart and intuitive, but they are also equipped with human traits to interact with users.

Best Western Hotels & Resorts have already begun implementing Amazon Dot devices for both guests and staff earlier last year.

Voice-enabled technology empowers guests to be in control as they are given the ability to adjust the room conditions, request services, set reminders, and many more. Placing orders via virtual assistants is also more accurate, enabling the staff to respond to the guests' requests in a timely manner.

Augmented Reality (AR)

Guests can preview their hotel rooms and search for nearby attractions beforehand interactively.

AR may be popular in the gaming and entertainment industry but there is a possibility to utilise both AR and virtual reality (VR) for increased pre-booking conversions with a "long-term guests" function.

This essentially enables the gamification of the travel experience, helping guests to visualise the property, explore all types of rooms along with attractions and venues in the vicinity prior to booking.

Back in 2012, in order to prepare for the Olympic and Paralympic Games, Holiday Inn launched the world's first augmented reality hotel campaign that enabled guests to see a realistic image of sports celebrities with their smartphones.

Biometric Authentication

Create a seamless guest experience with biometric authentication in the form of touch ID, face ID or making payments without using wallets or phones.

Biometric adoption and trends have been growing steadily with fingerprint scanning being mostly used. Apple has been very successful in using biometric authentication (facial recognition) for locking/ unlocking their iPhones.

Most Common Hotel Tech Trends

Backroom Operations – Managed Workflow

- Employees-only digital platforms help managers communicate with their workforce in real-time. This interaction helps managers streamline various operations onsite without physically being there. These platforms are usually customised for their hotel. Managers can rest assured that their conversations and data remain confidential and safe, as opposed to using social media channels where they have no control over the data sent.

Automating Customer Relationship Management

- Chatbots handle questions more efficiently rather than appointing a person to communicate with visitors through the company's social media pages. Automating processes with chatbots helps employees direct their attention towards more challenging matters. In 2020, more hotels are using automated responses for business tasks like answering FAQs.
- Hotel check-ins and storing visitor information can also be automated, which helps the hotel staff gather information easier to satisfy their guests' preferences and tailor hotel experiences for them.

Automated Check-Ins and Check-Outs

- Digital check-ins and check-outs along with special requests at hotels are now possible for guests to arrange on their mobile phones, tablets

In the hospitality context, implementing the guests' biometrics (fingerprints or facial features) into the hotel management systems shortens the check-in/check-out procedures and provides them with instant access to rooms and other facilities that they have booked without requiring keys, cards or mobile apps.

The system also records guests' preferences, which are useful, and detects loyal guests immediately.

or computers. Mobile applications provide convenience, flexibility and freedom of choice to guests by informing them when their room is ready, allowing them to bypass the front desk, etc.

Digitised Room Keys

- Swipe cards have been replaced with smartphones and apps to ease check-ins and minimise the chances of losing keys.

Near Field Communication (NFC) Technology

- NFC facilitates the seamless transferring of data from compatible devices via a short-range with the help of radio waves. It is commonly used for making payments and sharing media files or any other form of data.
- A single NFC card or device can be configured a number of times, allowing hotels to add new features. It is an effective way to reduce costs and provide opportunities to satisfy customers' needs.

Infrared Sensors

- Infrared sensors provide information on the surroundings by detecting and emitting infrared radiation. The LED lights notify whenever an object is near the sensor by automatically bouncing back into the light sensor. Hotel rooms now come equipped with infrared sensors that detect body heat.
- If the sensor shows up on the door panel, the hotel staff moves on and checks back later, ensuring that guests are not disturbed.

NEW TRENDS IN EMPLOYEE BENEFITS



VR Training Solutions

Training specialists are now offering VR solutions for a wide range of training and development in safety, customer service and leadership while improving the employee experience. Research shows that immersive learning facilitates behavioural changes by developing new skills in the workplace. VR is ideally suited for corporate training because it helps retain higher knowledge, increase engagement and gain experience through practice.



Reporting Misconduct via AI Bots

AI-powered tools are used to report misconduct in the workplace by which employees can inform their employer, even anonymously.

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