Institute of Hospitality




Hospitality Digest 2014

Key issues, facts and figures

A profile of the UK hospitality industry



Wordsmith and Company

Melvin Gold Consulting
Specialist consultants to the hotel industry

Horizons

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Easy Navigation

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FOREWORD

Big data is the new big thing

We are living in the information age. The challenge is how best to use the extraordinary amounts of information that become increasingly available every year, filtering out what is really necessary from all the noise that surrounds it. However, knowing what has happened is quite different to interpreting the information so that it better informs your view of what is going to happen next.

The aim of the Hospitality Digest 2014 is to provide owners, managers, investors, analysts, consultants and the media – as well as students and graduates - with a wealth of current information and associated data on the hospitality industry, interpreted by experts who provide an informed opinion on the trends that are emerging and what their likely impact will be. As a result, readers will be better able to understand the impact of past events and the issues facing us in the future.

Hospitality Digest 2014 – the first in an intended series of annual publications – represents a significant development for the Institute. In a single, easy-to-access reference publication it contains facts and figures on the growth of the industry's major sectors during the past year – tourism, hotels and foodservice – as well as a unique section examining key issues facing employers and educators.

The information within its 190 pages enhances the resources that are available in our library, complementing the Institute's reputation as an up-to-date and ever expanding source of knowledge and information for members.

As the professional body for managers across the industry, the Institute is committed to promoting professionalism through lifelong learning. I believe that Hospitality Digest 2014 is an integral part of this process. It is part of the support that the Institute gives members through education, networking, industry updates and, of course, research.

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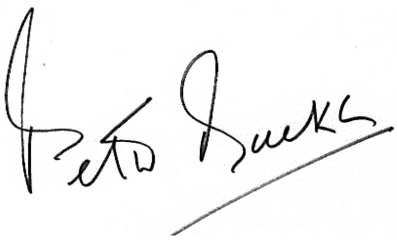
In writing this introduction, I must thank all those who have contributed articles and provided information for inclusion in the publication. Without their co-operation – together with the work of the editors – Hospitality Digest 2014 would not have been possible. Needless to say, no publication of this kind can ever be complete and we welcome any suggestions for the inclusion of additional material or other improvements for future editions.



Peter Ducker FIH
Chief Executive

sure industry (£bn), 2007-2012

		2008	2009	2010	2011	2012	2012		
	Tot	Total	Total	Total	Total	Total	**Tourism** Inbound tourists	**Domestic holidays** UK residents	**Leisure** UK residents
Overnight accommodation	11.7	11.5	12.7	12.5	13.7	14.6	3.0	11.6	-
Eating out-of-home	21.6	22.5	23.1	23.4	23.6	24.8	1.5	4.7	18.6
Drinking out-of-home	36.3	36.1	33.9	33.8	33.3	32.3	0.5	5.6	26.2
Air travel within UK and from start points outside UK to destinations within UK	2.9	2.7	2.9	2.9	3.1	3.1	1.7	1.4	-
Rail, car, coach, taxi, cab travel for leisure and tourism	4.8	4.7	4.7	4.7	5.0	5.3	1.5	2.4	1.4
Cinemas, theatres, museums, zoos, historic properties, theme parks, gardens	3.2	3.7	3.8	3.9	3.5	3.8	1.0	-	2.8
Social clubs, leisure classes, bingo, dances, discos, social events	6.6	5.6	5.9	5.6	6.5	7.2	-	-	7.2
Sports - spectating	0.9	1.0	0.9	1.0	1.0	1.7	0.3	-	1.4
Sports - participating	2.5	2.0	1.6	1.3	1.8	1.7	-	-	1.7
Shopping on holiday, shopping by overseas visitors	3.7	3.9	4.2	4.2	4.5	4.6	4.6	-	-
Gambling	4.5	3.8	4.3	5.0	3.7	3.7	-	-	3.7
Business-related expenditure	11.8	12.2	12.4	13.0	13.8	14.7	5.3	-	9.3
TOTAL	**110.6**	**109.7**	**110.5**	**111.1**	**113.5**	**117.4**	**19.4**	**25.7**	**72.3**

'-' = Excluded from scope but effectively is zero in most cases.

Source: Horizons

Note: Domestic holidays are leisure activities that involve at least one night spent away from home (excluding business activities). This is the same as holiday tourism as defined by UKTS. Leisure activities do not involve a night spent away from home. Drinking out-of-home includes alcoholic and soft drink consumption in pubs and restaurants, whether or not food is consumed at the same time. Gambling by UK residents also includes gambling by overseas visitors. Air travel only includes payment to carriers based in the UK.

SECTION 1.3

World Economic Forum

Informed Comment

Informed comment on key issues facing the industry.

UK held back by high taxes

– in world tourism rankings

By Kurt Janson

The UK is climbing the World Economic Forum tourism rankings – but it's still near the bottom for price competitiveness and taxes.

Tourism is one of the world's largest industries. This year alone 1.1bn people are predicted to travel internationally, spending £730bn (US$1,075bn) and creating 260m jobs. Once domestic tourism is added, these figures are estimated to double, meaning that around 1 in 14 people across the globe work in the tourism industry.

Moreover, despite the global economic slowdown, global tourism is currently growing by 4.5 per cent per annum and the UN World Tourism Organisation predicts the revenue generated by the industry will double by 2030.

It is therefore important that governments are able to assess the international competitiveness of their country as a destination for visitors in order to improve their offering and therefore gain as much benefit as possible from global tourism growth.

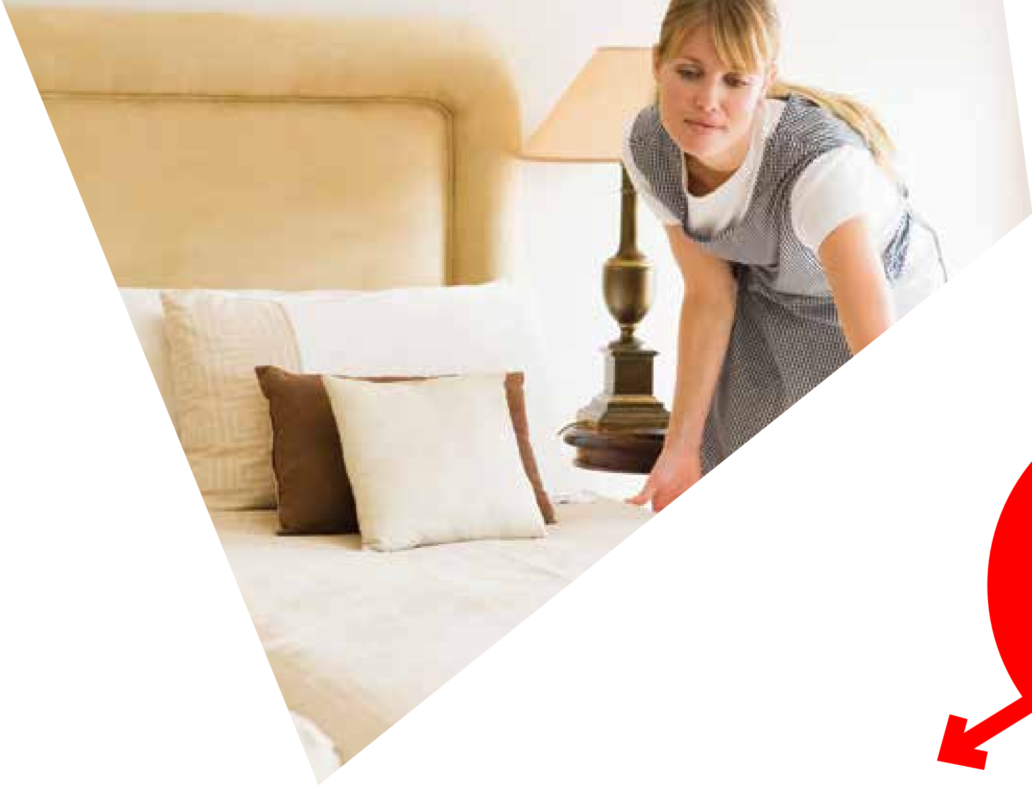
To enable them to do this, every two years the World Economic Forum produces The Travel & Tourism Competitiveness Report – a publication designed to show countries how they are faring in the highly competitive global tourism market and highlighting areas where reform is needed if the country is going to maximise the benefits that it receives from tourism.

Clearly, developing a global competitiveness ranking for all the countries in the world is not an easy task. Not only are there a myriad of reasons why someone travels from one country to another, there are also a myriad of attributes that destination countries have that influence the decision-making process of potential visitors and which leads them to choose one destination over another.

The WEF report recognises this and tries to bring a coherent approach to analysing and ranking these factors. In doing so it finds 14 main factors (or pillars as they are termed in the report) that influence decision-making. These range from policy and regulation, health and safety, transportation links, infrastructure and cost through to natural and cultural assets.

Within these 14 main factors, there are then 79 measures that are assessed in order to score and rank countries. For example, the air transport infrastructure factor has seven different measures. Each of these measures is scored and ranked internationally, with the individual scores and ranking being amalgamated to provide the overall score and ranking for air transport infrastructure.

'This year alone 1.1bn people are predicted to travel internationally, spending £730bn (US$1,075bn) and creating 260m jobs.'



Into the Future

What's in store for the independent.

FEATURE

UK hotels face a **branded** future

Compared with 1990, today's hotel industry is unrecognisable; further change is inevitable with stronger brands, more fragmented ownership and fewer independent operators. By 2030 six out of every ten hotels will be corporate branded.

By Melvin Gold FIH

I graduated from hotel school in 1981 – during the course we had learned about billing machines, Whitney racks and a host of other operational equipment that has long since passed into extinction. But it is not just operational equipment, techniques and styles that are much changed, Lord Forte and Sir Maxwell Joseph led the foremost companies in the sector, Trusthouse Forte (as it then was) and Grand Metropolitan.

Although these companies seemed like giants at the time they are dwarfed by the scale of today's hotel companies. Although sourcing data from 1981 has not been possible, in Table 47 on the next page are listed the top 10 companies in the hotel sector in 1990, 2000 and 2013.

Three companies in the 2013 listing have more rooms than Forte in 1990 and only three that were listed in the 1990 listing would have made the top ten today. The top ten companies today comprise 233,316 rooms compared to 128,899 in 2000 and just 81,400 in 1990.

SECTION 4.2

ANALYSIS

Higher food and fuel costs lead the way

Resilient caterers ride the storm

by Peter Backman FIH

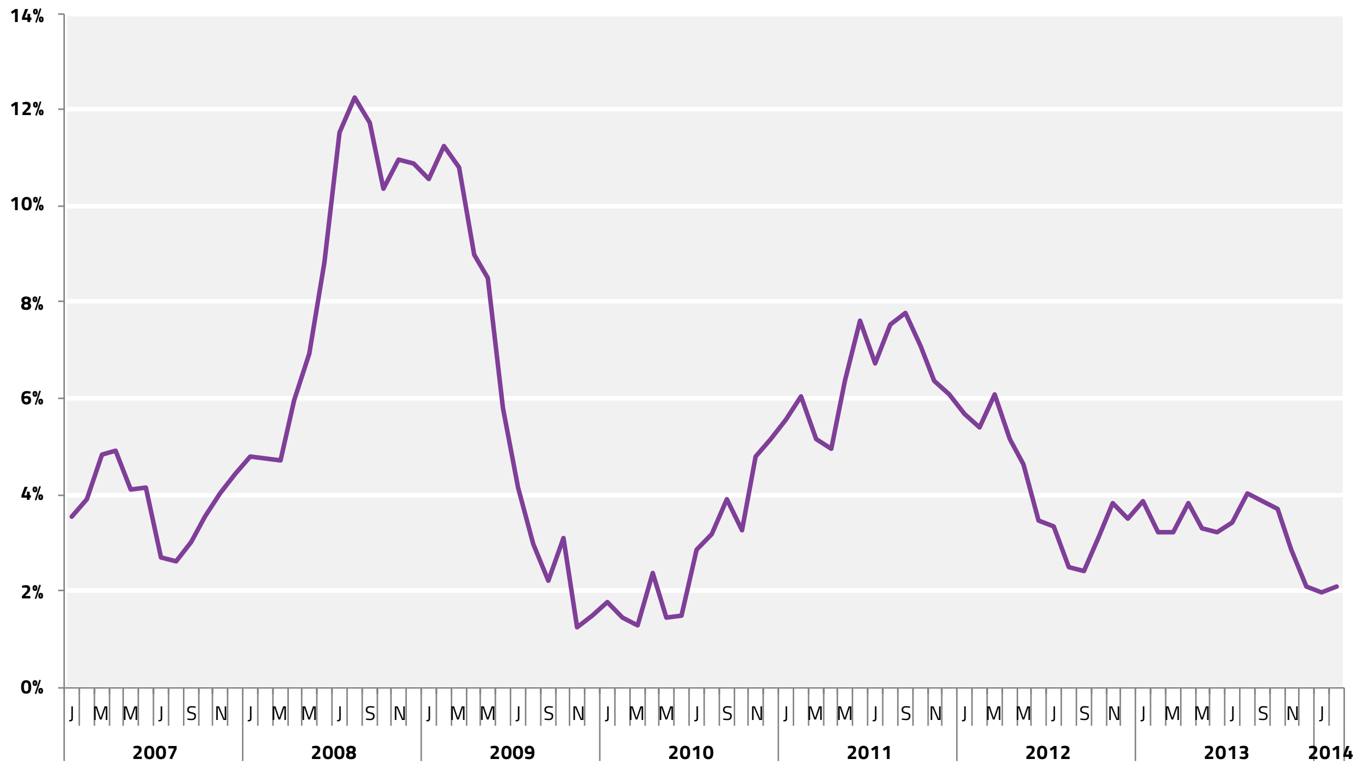
Operators have seen a switchback ride with food and beverage input costs in the last half dozen years.

Food and beverages are a major input into the cost base of all operators, averaging about 37 per cent across the sectors from restaurants and hotels to schools and hospitals. Labour, at a shade under 40 per cent of all costs, is the other main input and the balance is made up of everything from the costs of debt servicing and rent, to energy and equipment purchases.

Of these various costs, the most volatile since 2007 has been food and fuel. Food cost inflation peaked in the summer of 2008 after which it plummeted for over a year before rising again to a (smaller) peak in 2011 from which time it fell to two per cent in the early part of 2014.

Labour costs, on the other hand were not only much more benign, but they did not show any marked volatility over the same period while all other costs showed some volatility – primarily because of a rapid rise in fuel costs in 2008/09; lower borrowing costs took the lead in offsetting higher energy bills. Over the period, non-F&B/non-labour costs increased by just under 3.5 per cent per year on average.

Figure 7: Inflation in F&B costs, 2007-2014



Source: ONS. Horizons

Births and deaths

How successful are start-ups.

SECTION 4.4

Openings and closures, 2012

Government Business Demography tables focus on changes in the registered business population with data on births, deaths and survival rates of businesses. The 2012 births and deaths of hospitality businesses appear in Table 111 below; a birth is defined as a business that did not exist in 2011 and a death is a business that was operating in 2011 but not in 2012. In 2012, there were 270,000 business births in the UK in total (a birth rate of 11.4 per cent) – and provisionally 255,000 businesses that died (a death rate of 11.2 per cent.) In the food and accommodation sector, using a slightly wider definition than in Table 111 and calculating on 163,000 businesses, the birth rate was 20,000 (12.5 per cent) and the death rate was 22,000 (13.3 per cent) – the number of deaths being the highest of all broad industry groups and significantly above the national average of 11.2 per cent.

Table 111 would suggest that the hotel, licensed restaurant and pub sectors of the industry are particularly vulnerable, with a higher rate of closure than start-ups, with a three year survival rate of under 60 per cent in all three sectors – ie: four in ten new businesses fail within three years.

The Business Demography figures are calculated on VAT and/or PAYE returns so may not include guest houses and other businesses that are not registered for VAT and do not employ any staff.

Table 111: Births and deaths of hospitality businesses, 2012

	Hotels and similar accommodation		Licensed restaurants		Unlicensed restaurants		Other food service activities		Licensed clubs		Pubs and bars	
	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths	Births	Deaths
London	120	95	1,035	1,225	600	455	210	85	45	60	350	440
England	585	725	3,820	4,120	2,205	1,830	660	315	280	540	4,255	5,130
Wales	50	65	190	200	115	125	20	10	20	50	280	365
Scotland	125	155	440	480	215	180	40	35	20	50	365	440
Northern Ireland	5	5	56	75	70	80	10	0	5	15	35	80
TOTAL	**885**	**1,045**	**5,541**	**6,100**	**3,205**	**2,670**	**940**	**445**	**370**	**715**	**5,285**	**6,455**

Source: Business Demography 2012, ONS

SECTION 6.1

Fires in hospitality premises

New Info
New information not previously available.

Table 123: Number of fire incidents, hospitality and care industries, 2009-2013

Where fire started	Hotel/ Guest House	Restaurants	Pubs	Nursing/ Care/ Retirement Homes	Student Halls of Residence	Takeaway Food Shops	Youth Hostels
Kitchen	453	1,123	975	2,248	1,738	904	42
Bedroom	321	-	-	454	145	-	22
Laundry room	172	-	-	315	5	1	-
Bathroom/toilet	106	-	136	112	69	-	9
Corridor/Hall	93	313	131	253	57	15	8
Store room	80	123	287	72	8	85	-
Staff room	22	-	-	139	14	-	4
Dining room	46	-	-	88	-	-	-
External fittings	41	116	238	39	5	99	1
External structures	51	77	146	25	1	53	2
Utility Room	55	58	132	77	4	14	1
Shop floor	-	47	27	-	-	280	-
Canteen/ staff restaurant	-	277	94	-	-	201	-
Reception area	25	19	105	23	2	12	1
Roof/roof space	60	73	158	32	6	42	3
Boiler/ power house	110	41	57	85	14	16	4
Other	480	333	1,120	542	122	340	26
TOTAL	**2,115**	**2,283**	**3,606**	**4,302**	**2.182**	**2,070**	**127**

Source: Fire Statistics, Fire Service (Department for Communities and Local Government)

Kitchens are clearly the most dangerous place in which to work in the hospitality industry (even more so in the care industry), with bedrooms coming a fairly close second. The figures show that fire can start in almost any part of the building even (not listed here) in lift shafts and motor rooms (105 incidents), indoor swimming pools (seven incidents) and offices (174 incidents). Over the four year period, there were two fatalities in the hotel sector, 17 in care/retirement homes and one in takeaways; in the same period, the hospitality industry averaged 2,500 fire incidents a year (over 4,100 annually if care homes, halls of residence and youth hostels are included) – an alarming statistic. The figures relate to incidents where the fire brigade has been called out to attend a fire and does not include false alarms.