

Tough year ahead for UK hoteliers with key issues to tackle

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UK hoteliers face a tough year in 2020 with a growth in rooms supply increasing competition and dampening revenues, despite underlying demand remaining strong.

'Hotels in the UK provinces found 2019 challenging and there seems to be little opportunity to improve this performance in 2020,' commented HVS London chairman Russell Kett.

'The pipeline of new hotel openings will continue to add further pressure to many hotels which have experienced a decline in occupancy and average rates, sometimes both. Once the current pipeline has worked its way through and post-Brexit demand levels have picked up, positive growth should be seen as we move into 2021 and 2022,' he added.

Demand for hotel rooms in London remained at a strong level throughout 2019 and hotels are likely to see a continuation of this, notwithstanding the growth in supply, especially at the luxury end of the market, which may lead to a softening of hotel occupancy levels.

'Average rates in London should continue to grow, however, so overall RevPAR [rooms revenue per available room] is likely to remain flat throughout the year,' added Kett.

HVS has identified five key themes likely to impact the sector moving forward into the new decade – the need for a personalised offer; the importance of developing a relationship with the guest; the issue of corporate responsibility; attracting and retaining good staff; and the need to maximise profitability.

'Whether a hotel will get a particular guest's business now depends on whether it will provide an appropriate experience beyond the minimum expectation of a comfortable bed, decent shower, fast efficient Wi-Fi and good value for money,' said Kett. 'Gen X and Gen Y travellers seek a more personal offer – an experience to remember that they can't get elsewhere.'

Furthermore, hotels and hotel companies can no longer rely on loyalty schemes to build a relationship with guests as many no longer care about incentives such as free stays, especially when they are restricted from redeeming them. Hoteliers need to find a way to develop a meaningful relationship with customers to enhance their loyalty.

HVS's third concern is that of sustainability and social responsibility, which is increasingly forming part of consumers' – and investors' – decisions. It's now essential for hotel operators to have such policies and to communicate them effectively to the guest – paying lip service isn't enough. Credible environmental policies are now an essential part of business life.

Likewise, the ongoing importance of attracting and retaining staff through competitive packages, providing training and meaningful career development has never been more vital in the sector, particularly post Brexit. Making staff feel part of a 'family', providing a flexible working environment and profit-sharing are already starting to make a huge impact in some businesses and more needs to be done to make the sector more attractive to potential recruits who live in the UK as well as ensuring current vacancies can be filled.

Lastly, hoteliers need to ensure that as many areas of their hotel as possible are income producing in order to deliver a proper return on investment. A minimum of 15%, but preferably 20% profitability should be sought from F&B operations, for example, with under-performing areas of a hotel developed to provide overnight guests and non-residents with a well-designed range of refreshment options that make money.

Concluded Kett: 'The world is changing fast and hoteliers need to adapt and incorporate these changes in a creative way in order to survive and prosper.'

Summary

HVS London has identified five key issues that hotels need to consider as we move into the new decade, including the fact that travellers are now expecting a more personal service, the issue of corporate responsibility and the importance of attracting and retaining good staff.

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About **Russell Kett**



Russell Kett is Chairman of the London office of HVS and also serves on the worldwide Board of HVS. He has 40 years' specialist hotel consultancy, investment and real estate experience, focused on providing valuation, feasibility, shared ownership, property, brokerage, investment, asset management, strategy and related consultancy services, advising hotel companies, banks, developers and investors on all aspects of their hospitality industry related interests, throughout the EMEA region. Russell is a frequent writer, moderator and speaker on the international hotel industry, especially topics relating to hotel valuation, investment, marketing and finance. He is a frequent visitor to Israel and maintains a home there. For more information, contact: [\[email protected\]](#)