



Hotels in the UK



All information correct as at 09.03.19

Information Source: **IBISWorld**
WHERE KNOWLEDGE IS POWER

Hotels in the UK: Sector Overview

What trends are shaping the industry?

Over the past five years, the performance of the Hotels industry has been strong. Prior to the start of the period, business and tourist travel spending was low, which meant that competition among hotels for customers was high. However, the recovering global economy increased the number of foreign visitors, while international tourism campaigns and the popularity of British-made films and TV dramas have encouraged both international and domestic tourists to visit the UK. The post-referendum depreciation of the pound drew record numbers of international tourists to the UK in Jul'16 as foreign travellers took advantage of the exchange rate. Technological developments are changing the nature of the industry as hotels adapt to the digital revolution. The growth of online price comparison sites has intensified price competition and increased occupancy rates, as hoteliers have adopted dynamic pricing strategies. Industry revenue is expected to grow at a compound annual rate of 3.4% over the five years through 2018-19, including a forecast 2% rise in the current year, to reach £20.1bn.

The Outlook

The industry is expected to continue growing over the next five years, supported by demand from foreign tourists. However, the sharing economy is expected to gain traction and constrain revenue and margin growth. Industry revenue is expected to increase at a compound annual rate of 2.1% over the five years through 2023-24, reaching £22.3bn. Demand for accommodation from businesses is expected to fall over the next five years as Britain's exit from the European Union weighs on business confidence and lessens the appeal of the UK as a commercial hub. Additionally, potential restrictions on freedom of movement with the European Union in the future could limit the volume of EU tourism. However, rising disposable incomes around the world and the lower value of the pound are expected to continue to draw tourism to the UK from outside of Europe. The weaker currency and possible barriers to travel could also encourage more British people to holiday within the UK rather than travel abroad.

Key Statistics

Revenue

£20.1bn

Annual Growth 14-19

3.4%

Annual Growth 19-24

2.1%

Profit

£4.3bn

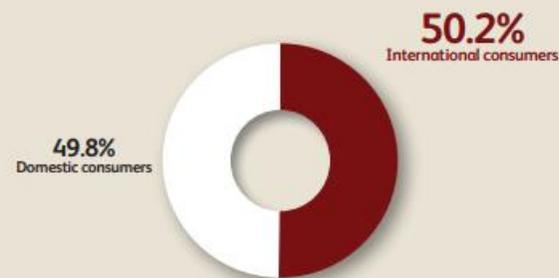
Wages

£6.1bn

Businesses

9,766

Major market segmentation (2018-19)



Total £20.1bn

SOURCE: WWW.IBISWORLD.CO.UK

Hotels in the UK



Regional Insights

Scotland

- Scotland accounts for the highest share of hotels in the UK, with 15.7% of industry establishments located north of the border, nearly twice the region's share of the UK population. Scottish cities like Edinburgh and Glasgow attract large numbers of tourists for cultural and sporting events. Edinburgh Festival Fringe during the month of August is estimated to double the population of the city with visitors and performers, generating approximately £29 million in spending on accommodation. Outside of cities, golf and game shooting resorts are popular, attracting wealthy customers to the area.

London

- London attracts the highest number of domestic and international visitors, accounting for its 14.6% share of industry establishments. Furthermore, business activity is heavily concentrated in London, so more business travellers visit this area than other regions. London also dominates the luxury hotel segment, with top international brands possessing hotels in fashionable central locations, such as Mayfair and Knightsbridge, in order to attract wealthy international travellers.

Sector Trends

International tourist numbers

The number of international tourists visiting the UK affects demand for short-term accommodation such as hotels. As tourist numbers rise, demand for hotel accommodation increases, which positively affects industry revenue. International tourist numbers are forecast to increase over 2018-19 as global economic conditions remain positive overall, while the weak pound makes the UK a comparatively cheaper destination for international visitors.

Total domestic tourism

Domestic tourism is measured as the total amount spent on tourism by both UK and non-UK residents. Demand for accommodation grows as expenditure on tourism rises and trips are taken more frequently. Domestic tourism is expected to expand in 2018-19 as rising incomes and the weaker pound entice Britons to travel locally instead of abroad.

Consumer confidence index

Demand for hotels is dependent on consumer confidence. When consumers are more confident about the economy, they are more likely to travel and stay in hotels. The uncertainty surrounding the UK's forthcoming exit from the European Union is expected to lower consumer confidence in 2018-19, which could deter some consumers from making expensive trips. This is expected to threaten revenue.

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