UK hospitality's next challenge

How sourcing the right people could net a £36bn bonus for the sector

BARCLAYS

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About the research
This report is based on bespoke market research conducted by Censuswide among senior decision-makers of 605 UK-based hospitality and leisure businesses. The sample covered businesses with 10 or more employees and the research was conducted in April 2022. Modelling by Development Economics used these findings together with available industry data from the Office for National Statistics and other third-party sources.

Eyes on the prize

Firms look to seize post-pandemic opportunities

Reinvigorated after the health crisis, UK hospitality and leisure is now facing up to new challenges, not least a talent crisis. New Barclays research reveals:

- Most leisure and hospitality sectors have regained the ground lost in the pandemic, with average profit margins now at 41% compared with 39% pre-covid.
- The projected increase relative to pre-pandemic turnover in 2019 is £36bn. Restaurants and food outlets stand to gain the biggest share of this additional revenue, £11.9bn.
- Businesses are poised to scoop a potential £54bn extra this year over 2021 revenues, if they can overcome external pressures.
- Sourcing and retaining the right staff is one of the biggest obstacles to this prize. For example, one in five businesses is finding it hard to place cleaning staff; 26% of hotels are struggling to recruit front-of-house personnel; and 42% of gyms cannot find fitness instructors.
- The result is widespread pay rises, with the biggest winners this year so far including delivery drivers (7.5% average increase), housekeeping staff (7.4%) and bar staff (7.3%).
- Pay rises translate to an estimated £1,164 per year extra for those in full-time waiting roles, for example, and £1,196 for kitchen staff.
- But it's not just about pay. Businesses are also using other ways to lure potential employees, such as embracing flexible working (23%), investing in staff welfare initiatives (22%) and introducing bonuses (22%).
- UK hospitality is particularly keen to support Ukrainians fleeing the war, with 74% actively planning to hire refugees, rising to 88% in Northern Ireland and 86% in Scotland and the East of England.

New threats, fresh opportunities

Facing a hail of challenges with confidence

Last summer, clambering out of crisis, more than nine out of 10 UK hospitality businesses interviewed as part of our Leisure rediscovered report told us they were confident of growth, albeit from the low base of the pandemic doldrums.

Today, the challenges facing the industry look very different: the fallout of war, soaring costs, a tight labour market. But, according to our new survey, business confidence – while not at the unprecedented heights of last year – remains strikingly high (77% of respondents are confident of growth this year, including 33% who are very confident).

Profits clawed back

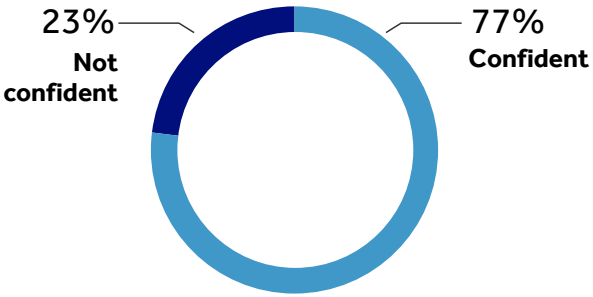
This upbeat mood is underpinned by the finding in this year's report that profit levels are largely returning to those seen pre-pandemic. In some cases, 2019 profit margins have already been outstripped, according to our survey. That's largely down to the way businesses have responded to customers' changing preferences through the pandemic, emerging with new offerings and, sometimes, entirely fresh business models.

Caravan and holiday parks have done particularly well. They seized the opportunity of the surge in staycations to grow profit during the pandemic, and have largely sustained those margins since. Bars, cafes and hotels also report regaining or exceeding 2019 profits. Other areas, such as spas and holiday lets/B&Bs, are close to recovering to pre-pandemic profitability, but are still investing to incentivise customer activity.

From the consumer perspective, the cost of living crisis is clearly set to impact demand. However, the latest data demonstrates a continuing hunger to make the most of leisure time. In April, for example, spending in eating and drinking venues was up by 45% over 2019 levels, albeit showing a slight fall in growth over the previous month.

In fact, we estimate the industry could potentially gain £36bn during 2022 compared with pre-pandemic revenue, and £54bn more than in 2021. Achieving this prize will depend on how external pressures develop – and on the industry's own continuing efforts to attract customers, to delight them and to keep them coming back.

Business confidence for growth this year



£36bn

Potential revenue rise in 2022 for UK hospitality over 2019 levels

£54bn

Potential rise over 2021 levels

Executive summary

Fighting for staff
It barely needs stating that businesses are currently dealing with a hail of challenges. While none is in itself as disruptive as Covid-19, the volume of simultaneous problems is almost dizzying: the soaring costs of energy and basic products, from chicken to butter; acute supply issues; the end of the VAT relief on hospitality.

One of the biggest threats to success is the difficulty of getting and keeping the right people in place, and at the right numbers. One informed estimate puts current UK hospitality vacancies at 400,000.[1] The labour market in some territories and sub-sectors is fiercely competitive.

Our survey confirms difficulties in recruiting across a range of critical roles, from kitchen and front-of-house staff to back-office support. We know of some business owners who are limiting occupancy because they have insufficient staff to cover demand, and fear heaping further pressure on their existing staff.

Pay and perks
In this context, pay rises beyond the minimum wage are inevitable and widespread. Analysis of data from recruitment site Indeed suggests that pay for hospitality staff has outpaced inflation.[2] Wages are now exceeding 30% of turnover, an unsustainable level alongside the other pressures: pre-Covid, the usual benchmark was 20%.

However, our survey shows pay increases are not the primary tool being used by employers to appeal to potential recruits and retain existing staff. From flexible working and improved rostering to welfare initiatives, accommodation offers and other benefits, businesses are taking imaginative steps to make themselves attractive.

At a wider level, the industry as a whole is responding with plans for a massive recruitment campaign. Mark McCulloch's Hospitality Rising advertising campaign has support from some of the biggest operators in the industry. Its aim is to inspire a new generation to consider roles in the sector. Given how the volatility of the pandemic has tainted perceptions of hospitality careers, this type of initiative will be critical to restoring a sense of excitement and opportunity.

New appetites
All this is going on while customers' desires continue to evolve. Operators are having to assess which pandemic-inspired trends are here for the long term – pivoting their offerings to match those preferences. Our survey shows providers continuing to respond to the growing appetite for locally-sourced, sustainable and healthy choices. These options are being presented in carefully-planned pricing structures, with some operators starting to use dynamic pricing.

Loyalty schemes and personalised offers are bringing businesses closer to their customers. There has been a notable acceleration in customer relationship management (CRM) systems this year: 34% of our respondents have recently invested in this type of tech, enabling them to track and respond to their customers' changing priorities. At the same time, four in 10 businesses have recently invested in new payments channels, such as Apple Pay and Google Pay, for added customer choice and convenience.

There is other evidence of businesses responding to customers' changing preferences, too. Digital wallets are now accepted by almost as many merchants as cash – a remarkable rise in just a few years. Close to half of businesses receive more than 30% of their takings through digital wallet payments. For one in seven this rises to above 40% of takings.[3]

It would be naïve to play down the existential nature of the cluster of threats facing the hospitality industry this year. But businesses that survived Covid-19 have already demonstrated their resilience. With imaginative solutions to staffing pressures and by fine-tuning their responses to customer preferences, the UK sector is well placed to ride out the challenges posed by the second half of 2022.

Mike Saul
Head of Hospitality and Leisure, Barclays Corporate

Profit returns

How UK hospitality is regaining pre-pandemic profitability

Soaring inflation, a faltering economy and acute difficulties sourcing key staff are creating instability for the hospitality sector. Yet our survey, which polled 605 businesses during April, reveals striking optimism about growth for the remainder of 2022.

Sunny prospects

More than three-quarters (77%) of hospitality businesses are confident about the outlook for expansion this year, while one-third (33%) say they are extremely confident. Only 5% of those surveyed are not at all confident.

The most upbeat regions are the North East and South West England, with 92% and 90% respectively declaring confidence. More than half of South West businesses (52%) are extremely confident. Businesses in London are by far the country's least bullish, with overall confidence standing at just 54%.

After a very rocky couple of years, the restaurant trade now feels poised for better times: 96% expect growth and 45% are extremely confident. Confidence is also notably high among spas and wellness venues (88%), as well as holiday parks (80%).

In fact, hotel owners are the only part of the hospitality industry where a majority (56%) lack confidence that they can grow their businesses this year.

Turnover soars

These levels of confidence will undoubtedly be tempered if the impact of 'stagflation' deepens over the coming months; many operators are likely to face ever stiffer pressures. For now, however, the upbeat mood is underpinned by widespread success in accelerating turnover to escape the low points of the acute Covid-19 period.

On average, UK hospitality businesses expect to boost turnover this year by 30% above levels in the last 'normal' trading year of 2019.

Based on the results, our modelling suggests that this increase represents a potential additional revenue of £36bn. Looking at the increase over 2021, when many businesses were hobbled at various points by pandemic restrictions, the extra value is even greater: almost £54bn.

The largest share of the increase over 2019 levels will be claimed by restaurants and other food outlets, which stand to gain almost £12bn. Pubs and bars could gain £7.3bn and hotels a similar sum.

Although London businesses are least confident of growth, they do expect the biggest rise in revenue, at £9.2bn, followed by the South East (£5.7bn) and the North West (£5.1bn).

Margins restored

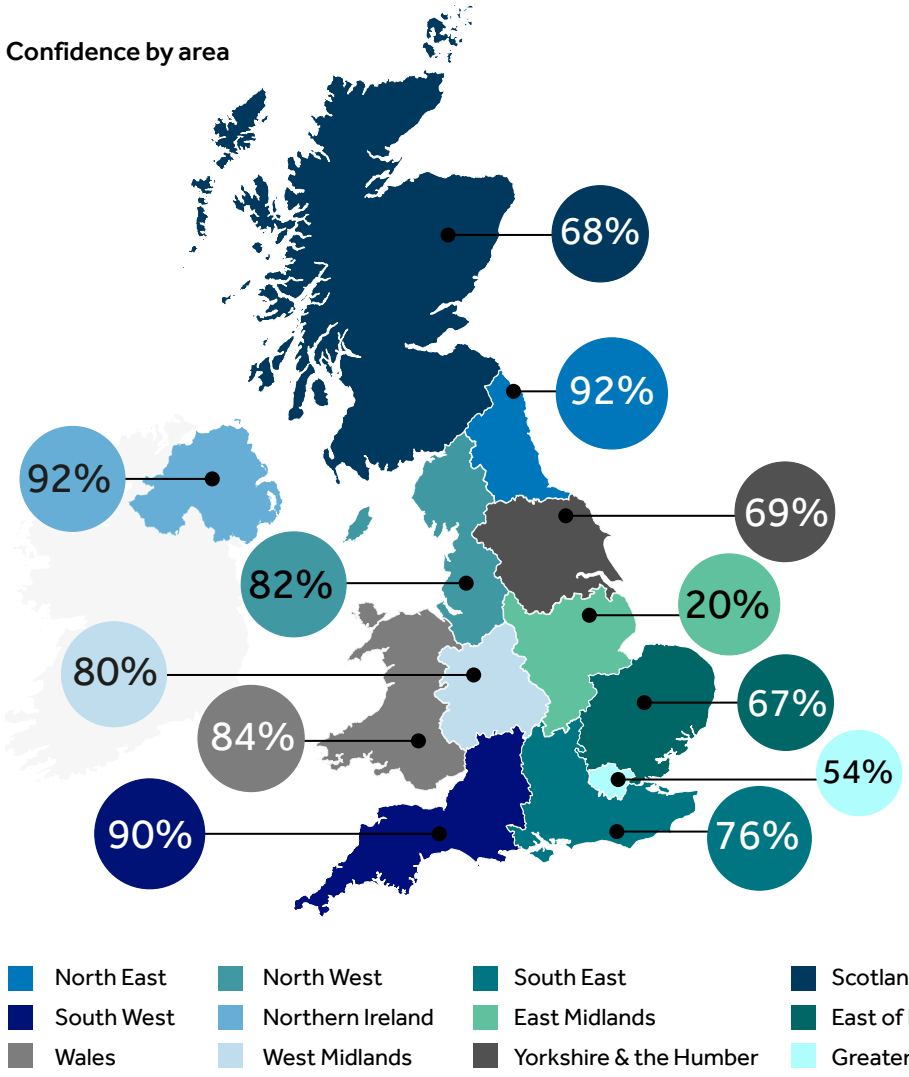
Despite soaring costs, the rise in turnover is also generally translating into sustained or higher profit margins.

During the pandemic, average business profitability fell by around four percentage points. But margins are already matching or outstripping pre-Covid levels for the majority of businesses, touching an average of 41% compared with 39% before the pandemic.

Holiday and caravan parks had a particularly good spell during the pandemic, taking advantage of demand during the non-lockdown periods to boost margins to 48%. These profits are largely being sustained since the full easing of restrictions: caravan parks' margins remain at 48%, holiday parks' at 46%.

Who's confident of growth in 2022?

Confidence by area



Confidence by industry

Restaurants	96%
Spas/wellness retreats	88%
Holiday parks	80%
Nightclubs/holiday park	80%
B&Bs/holiday lets	77%
Caravan parks/lodges	76%
Gyms/leisure centres	76%
Cafes	75%

This is providing an opportunity for parks to invest in new services. For example, Parkdean Resorts is spending £140m this year on new and updated caravans, chalets and lodges[4], while Haven is adding adventure villages and other developments to its parks through a £60m investment.[5]

Recovery journeys

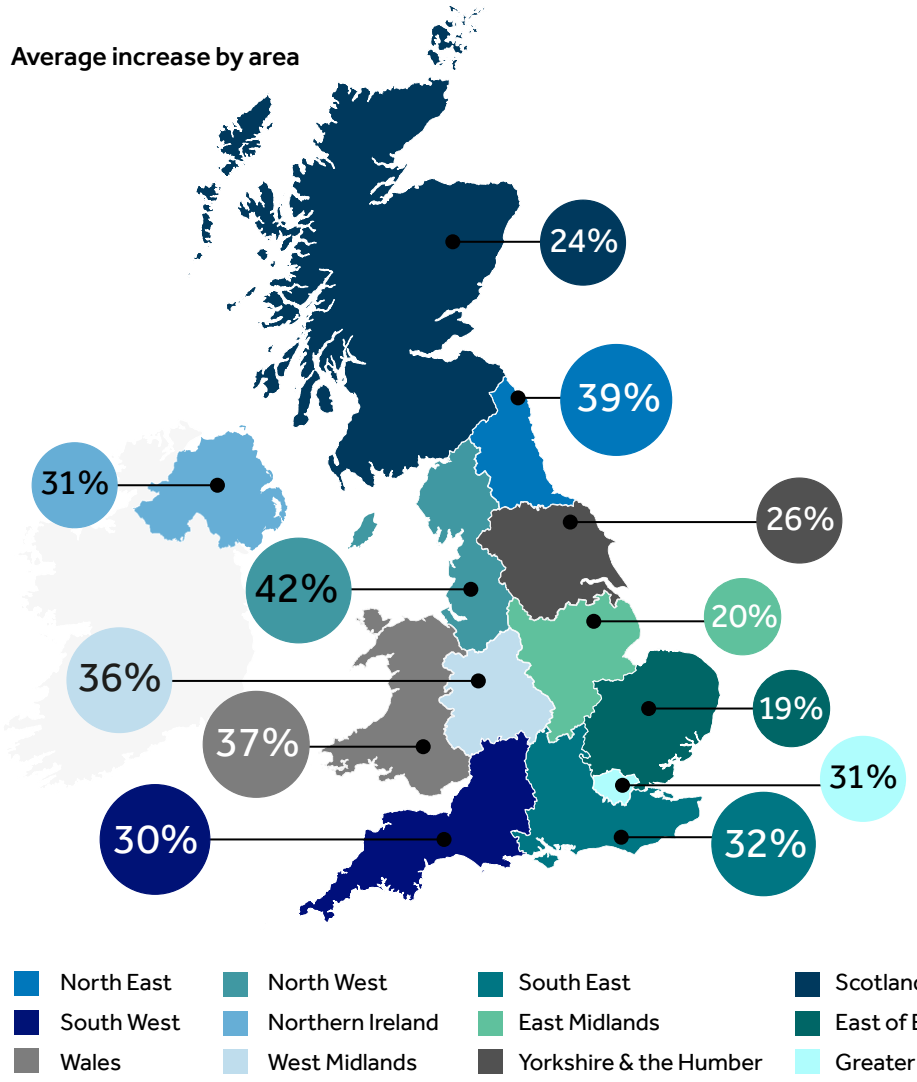
Spas are experiencing the longest journey to recovery – their profits slumped from a pre-pandemic 37% to 24% during Covid-19, and are now up to 29%. However, sentiment in this sub-sector suggests they are well placed to close the remaining gap this year.

B&Bs and holiday apartments have also yet to regain their pre-pandemic profitability (42% now, compared with 44% pre-Covid). Gyms and leisure centres have regained enough members to restore pre-Covid profits (36%), while pubs have almost made up lost ground (36% now compared with 37% pre-pandemic).

Regionally, the biggest winners include the East Midlands (32% average profits pre-pandemic, rising to 39% now); the West Midlands (33% rising to 40%); the North West (39% rising to 51%); and the South East (45% rising to 52%). But some regions have seen profits slump, notably the East of England (48% to 39%), Scotland (47% to 36%) and Northern Ireland (35% to 29%).

Average increase in revenues expected this year compared with 2019

Average increase by area



Projected boost to annual revenues over 2019 (£m)

Restaurants & other food outlets	11,948
Beverage serving outlets	7,294
Hotels	7,285
Gyms, etc	6,571
Caravan parks	1,106
Other recreational activities	889
Holiday parks	809
Other accommodation	173
Overall	**36,075**

Prices and pain

Given these trends, how have businesses been able to regain profitability while dealing with soaring costs of labour, energy and supplies, alongside the end of VAT relief for hospitality back in March?

Price rises have been unavoidable for most businesses, although at the time of the survey 15% said they had managed to stave off increases altogether. And there is anecdotal evidence of some operators reversing price hikes after customers perceived them as too expensive.

Other businesses are taking a more nuanced approach to incentivise customers. For example, 24% have cut the prices of their most expensive items, and 23% have reduced rates on sustainable/ethical ranges. And while 22% have raised the cost of cheaper items, the same proportion have decided that the opposite approach – reducing value items further – would be most effective.

Average profit margins before, during and after Covid-19 restrictions

Sector	Pre-pandemic	During pandemic	Post-pandemic
Hotel	**45%**	**40%**	**48%**
B&B/holiday apartment(s)	44%	37%	42%
Holiday park	44%	48%	46%
Other	42%	17%	42%
Bar	41%	37%	45%
Cafe	41%	38%	44%
Restaurant	40%	35%	43%
Spa/wellness retreat	37%	24%	29%
Caravan park/lodges	37%	48%	48%
Pub	37%	35%	36%
Gym/leisure centre	36%	32%	36%
Nightclub	28%	27%	37%

74%

of UK hospitality businesses actively plan to offer employment to Ukrainian refugees – with the figure as high as 88% in some regions of the UK.

Talent challenge

To capture growth, staffing shortages must be tackled

Attracting and keeping the right people is critical if businesses are to capitalise on the industry's growth potential. Our survey reveals the scope of this challenge in the context of the current labour market.

Vacancies have soared as the number of people in the UK workforce has plunged by 1.9% since just before the pandemic.[6] Illness, early retirement and care responsibilities have removed some workers; while for the hospitality industry, the dampening effect of Brexit on immigration has been a particular factor.

Inflation-busting rises

Many people in these difficult-to-fill roles have seen their pay rise accordingly. Data shows that the hospitality industry is among those where employees are receiving pay rises that outpace inflation, although some of these gains are likely to be eroded as living costs rise further.[7]

Hard-to-fill positions

Recruiting **cleaners** is an issue for one in five of the businesses surveyed, with particularly acute shortages in the East Midlands and East of England (28%). The problem is much less severe in London (8%).

Front-of-house staffing is proving difficult for more than a quarter of hotels (26%), as well as for nightclubs (25%) and restaurants (22%); 31% of South East businesses are finding these roles hard to fill.

Waiting staff are highly sought after in some regions: 34% of businesses in the South West are finding them hard to source, 27% in Yorkshire and the Humber, and 25% in the East of England, against a national average of 16%.

The acute shortage of **delivery drivers** that characterised the pandemic period seems to have eased somewhat. Nevertheless, delivery staff remain hard to find for 16% of businesses, and for 25% of those in the South East.

Similarly, the survey suggests that the huge demand for **chefs** and **kitchen staff** that also drew so much Covid-era attention may be starting to level off. However, sourcing these staff remains an issue for any provider with a food element: for example, 24% of spa venues and 20% of holiday parks are facing difficulties here.

Fitness instructors are thin on the ground too: 42% of gyms and leisure centres say they are struggling to find people to fill these roles.

Recruitment problems extend to back-of-house and C-suite roles. Recruiting **finance staff** is an issue for 17% of businesses, while 16% are having trouble sourcing **senior managers**.

Many businesses have awarded rises well above April's National Living Wage increase of 6.6%. Pret a Manger, for instance, delivered what it described as its biggest ever pay award in January, which saw 85% of staff in the chain earning more than £10 per hour.[8]

The pub chain Marston's has taken similar action, increasing wages for hourly-paid kitchen, bar and front-of-house staff by 7.7%.[9] In the hotel sector, Whitbread expects to provide a second rise for hourly-paid Premier Inn staff in the Spring, on top of the 5% awarded at the end of last year.[10]

These developments are industry-wide, our survey suggests. For instance, businesses have awarded housekeeping staff an average 7.4%, bar staff 7.3%, waiting staff 7.1% and cleaning staff 7%. Senior managers have scooped the biggest increases at 7.7%, while in-demand delivery staff have won 7.5%.

For individuals, our modelling reveals the average increases delivered to date. Full-time housekeeping staff are receiving a £1,642 rise in annual gross earnings, front-of-house staff £1,328, kitchen staff £1,196, waiting staff £1,164 and bar staff £1,145.

The biggest-value rises are for sales staff – averaging £2,206. Senior managers are earning an additional £2,014 per annum, and finance staff £1,936.

Average pay rises this year

Role	Percentage increase	Average full-time increase
Senior management	**7.7%**	**£2,014**
Delivery staff	7.5%	£1,616*
Housekeeping	7.4%	£1,642
Finance staff	7.3%	£1,936
Bar staff	7.3%	£1,145
General maintenance	7.2%	£1,651
Marketing staff	7.2%	£2,025
Sales staff	7.2%	£2,206
Waiting staff	7.1%	£1,164
Staff with ESG expertise	7.1%	£1,427
Cleaning staff	7.0%	£1,380
Kitchen staff	6.9%	£1,196
Front of house	6.7%	£1,328
Fitness instructors	6.4%	£1,200
Masseurs/masseuses	5.9%	£1,196

*While other figures are from modelling based on Office for National Statistics data, there are no ONS figures for hospitality delivery roles, so this figure is based on third-party evidence indicating that Deliveroo staff earn on average £11.21 per hour. Our figures are based on 37-hour working week.

More than just a job

Hospitality businesses polish up their workplace appeal

Pay rises are just one strand of hospitality providers' response to the labour squeeze – as many are finding imaginative ways to widen their appeal to candidates. The businesses in our survey recognise they need to demonstrate they can offer dynamic careers, with attractive benefits and potential for progression, if they are to recruit and retain the right people.

Brewery and pub chain Fuller's, which already offered private healthcare to its managers and head chefs, has extended the benefit to all staff with a year's service.[11] Some restaurants, hotels and pubs are even reported to have been offering staff support with housing, or interest-free loans to enable them to pay off debts.[12]

Hiking up wages to draw in staff is a strategy adopted by one-third (33%) of the restaurants in our survey, with gyms and leisure centres (26%) and holiday parks (25%) also more likely than average to do so. Overall, however, other methods of recruitment and retention are more common.

At a minimum, providers need to recognise and mitigate the pressures that vacancies cause for existing staff. The Social enterprise The Burnt Chef Project has seen big demand for its mental health support services for hospitality employers and for individual employees experiencing the effects of antisocial hours, tough working environments and pressures to perform.[13] Just over one-fifth of the employers in our survey (22%) have recently invested more in employee welfare.

Work-life balance

After pay, flexibility is the most important factor for potential recruits to the hospitality industry, according to recent research.[14]

Employers are harnessing technology and imaginative thinking in response. For example, Young's Brewery has set up its own internal recruitment agency, enabling employees to choose their own working hours across any of its 200-plus pubs.[15] Rick Stein's restaurant operation now permits team members to work as little as one shift per week.[16]

Section three: More than just a job

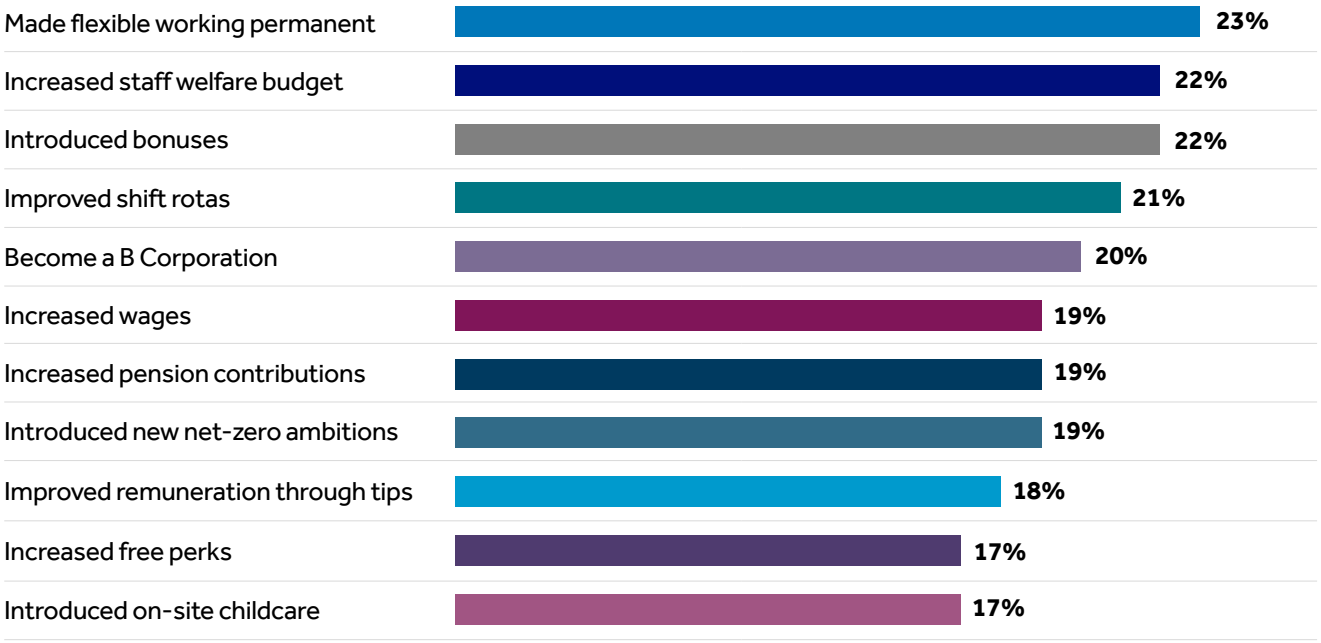
Many of the businesses in our survey are finding their own ways to extend the flexibility enjoyed by staff. A significant 23% of employers have opted to offer staff a better work-life balance by embracing flexible working as a permanent feature: pubs (33%) and holiday parks (31%) are most likely to have taken this approach. Similarly, 37% of cafes and holiday parks, and 28% of nightclubs and bars, have improved rostering to offer better hours for staff.

While proposals to protect workers' tips in the recent Queen's Speech didn't materialise, many businesses have already moved to implement changes. In fact the approach to tips is being transformed across the industry, with many following the example of restaurants such as Dishoom in adding a service charge to their bills as standard.[17] Just over a quarter of caravan parks (26%), one in five gyms and restaurants (20%), and 18% of hotels and pubs have changed their tipping systems so that staff receive more.

Sustainable credentials

Smaller businesses are generally most active in initiatives to attract potential employees. For instance, 35% of firms with 10 to 49 employees have improved rotas, 31% have made flexible working permanent and 25% have increased pension contributions.

Action to attract potential employees across all businesses



Research suggests younger candidates, in particular, are attracted to potential employers that can demonstrate action on sustainability. A significant number of hospitality companies say they are doing so: 19.3% have set net-zero targets, and 19.7 are working for B Corporation status.

Just 11% of companies with more than 500 employees say they have increased salaries. Employers of this size are more likely to adopt other strategies, such as providing on-site childcare (24%), or adopting flexible working on a permanent basis (19%).
A similar number are seeking accreditation as B Corporations, demonstrating that they meet the highest standards of social and environmental performance.

Staff hunting
With recruitment methods inevitably shifting during the pandemic, some appear to have changed for the longer term.

Geographically, more hospitality businesses now report recruiting from their immediate area than before the pandemic. Pre-Covid, 24% sourced staff locally, but this was boosted to 27% during the restrictions, a level that has been sustained since. Some 45% of holiday parks now source employees locally, more than double the figure doing so before the pandemic (20%).

Scouring the UK for staff naturally became less common during the pandemic. The proportion of businesses launching nationwide exercises dropped from 24% to 22%. Perhaps surprisingly, the practice has continued on that trajectory since, nudging down to 21%. The health and leisure sector is an exception: 35% of spas and 32% of gyms are now seeking staff from across the country.

Recruitment from the EU has dipped, but only marginally. Global recruitment has, however, outstripped pre-pandemic levels: 21% of businesses are now looking for staff worldwide. While one Welsh holiday park is reported to have hired a team of chefs from India after failing to recruit locally,[18] global sourcing is most likely to be on the agenda for bars and cafes (both 26%) and hotels and B&Bs (both 24%).

Use of specialist recruiters has returned to pre-pandemic levels of 21%. The number of employers offering apprenticeships has started to revive since the pandemic (19%), but has yet to recover to pre-pandemic level of 22%.

Support for Ukrainians
One striking finding of the survey was the volume of businesses surveyed that are actively planning to provide employment for Ukrainian refugees fleeing the conflict there.

84%

of cafes and gyms say they plan to offer employment to Ukrainian refugees.

Enthusiasm is especially high in Northern Ireland (88%), the East of England (87%) and Scotland (86%), and among those running nightclubs (90%), cafes (84%), gyms (84%) and spas (82%).

The industry has already shown its eagerness to take on those who have fled from other conflict zones, such as Afghanistan and Syria. While the potential Ukrainian influx certainly does not offer a solution to labour shortages, it is heartening to see the industry's willingness to respond to the crisis.

Seizing opportunity

Providers continue to reshape their services around customers

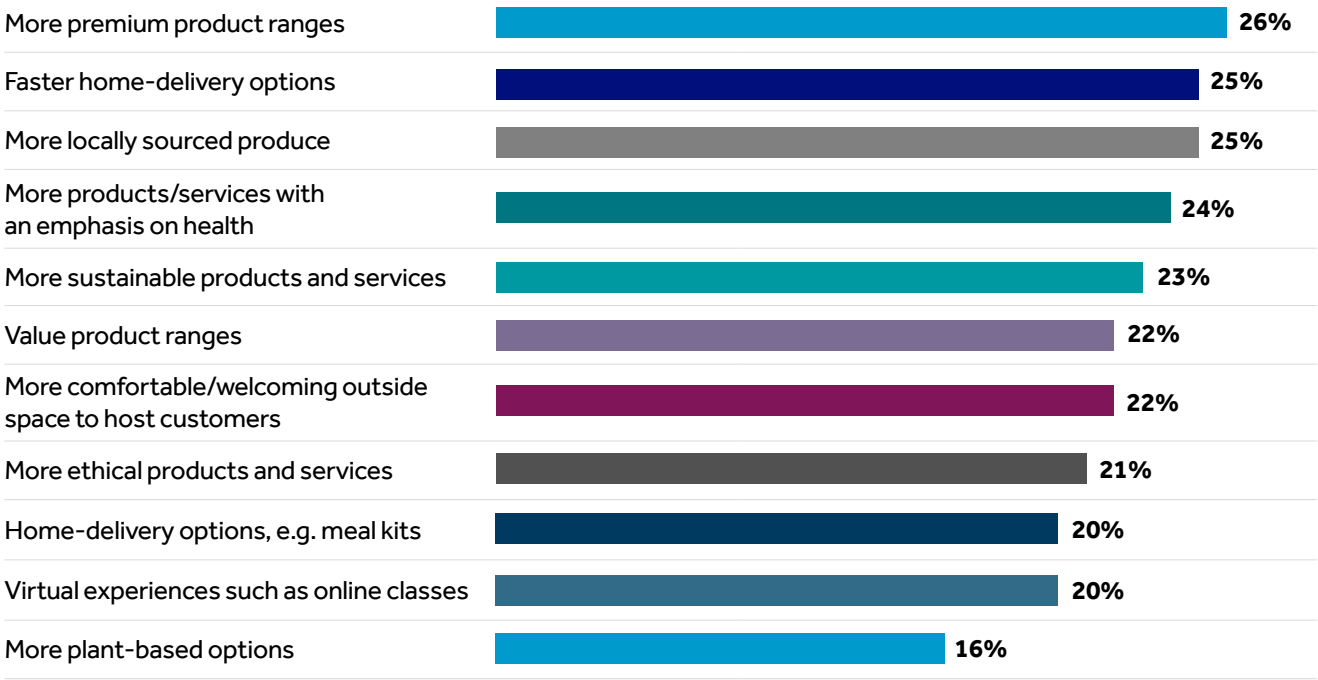
To sustain profits despite fast-rising costs, businesses are keeping on top of customers' changing preferences – sometimes transforming their business models to match.

Almost one in three restaurants, for example, continues to diversify by introducing home-delivery options, such as meal kits. This is a pandemic trend that is being sustained by independent and premium outlets such as Six by Nico, in competition with direct delivery services such as Gousto and Hello Fresh.

Local, sustainable, healthy
Restaurants and B&B/self-catering apartments are also strong adopters of the growing trend for locally-sourced products. Some 25% of these businesses have introduced new local ranges since the pandemic.

Moreover, 35% of restaurants have also launched new vegan and vegetarian ranges. Businesses in the South West (28%) and the West Midlands (24%) currently report the fastest-rising demand for plant-based products.

Post-pandemic initiatives across all businesses



One-third of pubs (33%), and 23% of businesses overall, say they have introduced more sustainable products. In fact, when asked what lesson they had taken from the pandemic, the most commonly cited (32%) was the central nature of sustainability to future business success.

Health-themed services continue to be important, too. Spas unsurprisingly lead in this area, with 33% introducing new products, alongside cafes (31%), gyms (30%), and restaurants (29%).

Premium and value

As consumers embrace opportunities to indulge themselves after the pandemic, 26% of businesses report a higher demand for premium products and services. This trend to seek out upgraded accommodation or other higher-quality experiences is especially noted in the East Midlands (34%) and the South East (31%).

A quarter of businesses (25%) have introduced premium product ranges. Nightclubs lead the way (37%), while 33% of restaurants and cafes have adopted this strategy.

At the other end of the scale, 26% of businesses are seeing more customers opt for value products as rising costs start to limit disposable incomes. Of the hotels surveyed, 28% have introduced value packages, perhaps reflecting this sector's relative lack of confidence in growth potential.

Stronger relationships

Besides honing products and services, businesses are also investing in new ways to help them become closer to their customers. For example, just over one-third of businesses (34%) are using new CRM systems to support better data on customers' preferences and behaviours. Cafes (43%), spas (43%) and restaurants (41%) are among the biggest adopters.

Some 45% of spas have introduced customer loyalty schemes to encourage repeat business. Personalised offers are a chosen strategy for 37% of B&Bs and holiday apartments, and for 35% of holiday parks. The smallest businesses are most active in these areas – for instance, 42% of firms with 10 to 49 employees have invested in new CRM systems, and 38% have introduced personalised offers. Drawing on customer data, these can be used to increase occupancy at quieter times or to provide a value-added experience. For example, IHG Hotels' voco brand recently trialled more personalised guest services for a £40 surcharge, including favourite drinks and snacks on arrival, a late-night 'cravings' menu, and portable speakers.[19]

Many businesses are reshaping their services around customers' shifting expectations. For example, around three in 10 businesses (32%) are meeting customer demand by opening earlier – this is most common in the East Midlands (48%) and the South West (46%). Extending hours further into the evening is slightly less common (30%), with Scottish (38%) and South East businesses (37%) most likely to have tried this.

Payment options

Offering customers more convenient ways to pay is another key investment made by many businesses in the wake of the pandemic, when the shift to digital payments accelerated.

Operating changes across all businesses

34%
Invested in new CRM technology

32%
Earlier opening

30%
Later closing

31%
New customer loyalty scheme

28%
More personalised customer offers

Section four: Seizing opportunity

Two in five businesses (40%) began accepting new payment systems such as Apple Pay and Google Pay in the past year.

Restaurants are among the most active in introducing new payment options for customers: 45% have recently started to accept app and mobile payments, while 47% have invested in a new online payments gateway. In addition, 45% of restaurants have introduced additional payment terminals, as have 42% of pubs.

Again, small and medium-sized businesses are most likely to have invested recently – for example, 46% of those employing 10 to 99 people have widened payment systems in the past year, perhaps indicating a move to catch up with the offerings of larger providers.

Crest of a wave

How Brighton Pier Group bounced back post-Covid-19

If you're looking for an example of a business that has bounced back from the pandemic restrictions almost perfectly in line with the findings of our report, then look no further than Brighton Pier. The iconic landmark is an experiential leisure attraction that has fully returned to pre-pandemic visitor and profit levels; although the management remains acutely aware that new challenges stand in the path of future growth.

"As soon as the restrictions were over, we saw a huge increase in volume of customers," explains Anne Ackord, CEO of Brighton Pier Group, which owns the attraction. "I think initially – certainly in the first half of this year – that was partly driven by the pent-up customer demand we saw across the industry. Families that had been stuck at home for long periods were desperate to get back out there, and that certainly played a part. But, as the year continues, it's clear that we have now fully returned to 2019 numbers, which appears to be the generally accepted 'pre-pandemic' benchmark."

Sustaining success

That consistent increase to bring figures in line with pre-pandemic numbers is partly down to strategic decisions the management took during lockdown to pivot the way it garners insights on potential visitors and engages them, Anne explains.

In our previous report on trends in the hospitality and leisure sector, Bouncing Back, published in May 2021, Anne explained how the business planned to maximise customer engagement by being more targeted in its marketing messages and encouraging repeat visits.

Now, just over a year on, the Group is reaping the benefits of those strategic changes, she adds.

"We have worked really hard to improve our data collection, finding out about our customers so we can better understand who they are, where they come from, what they like, and what they want from us," Anne continues. "We then leverage that data to send tailored offers and information on events we know customers will be interested in, and we send them through various platforms. Facebook isn't as popular as it was, but Instagram and Snapchat are far more effective now, and we have plenty of direct communication with the customers through SMS and email.

"And what's interesting for me is that customers are actually much more willing to share that information – because this newer generation of consumers wants tailored and bespoke offers, and it is willing to give up personal information to achieve that."

Destination UK

Anne adds that an additional factor relating to the speed at which many leisure firms saw a return to pre-pandemic numbers was that continued travel restrictions prompted many to "rediscover the UK".

"I do believe people found that they can amuse themselves in their locality," she says. "They were forced to look locally for activities to do and they have realised that, actually, you don't have to travel to find great experiences. That certainly also helped."

Such as been the success of Brighton Pier Group's post-pandemic response, the business has recently expanded by acquiring Yorkshire-based Lightwater Valley Family Adventure Park.

Despite that growth, however, and the continued return of visitor numbers across the business, Anne acknowledges that challenges remain ahead for the leisure sector – and that there are new issues to counter.

"Lots of businesses in the sector are telling us they're really struggling with recruitment," she explains. "That's the result of a number of factors, in my view.

"I think furlough and lockdown led many to re-evaluate their lifestyle and their approach to work. Many chose a career change when they couldn't work and we are also getting many applications from people who now want to work only one-to-two days a week, so they can have a better work-life balance. That's been hard on the operating managers because they have to create rotas and schedules.

"But there's also an issue, which is common across the industry, whereby the type of work we need to recruit for – let's call it customer service and customer-facing roles – is not inherently desirable with the British population in general," she adds. "In parts of Europe, being a waiter or kitchen staff is seen as a skilled job and these positions are viewed as being a career. But that's not so much the case here. Prior to Brexit, around 60% of our employees in the Group were from Europe. Now we have to recruit for those roles from within the UK – and people do not value that role as highly."

"Lots of businesses in the sector are telling us they're really struggling with recruitment."

Anne adds that other challenges are also on the radar – not least rising interest rates, the increasing rising cost of living and continued talk of a recession – all of which, she admits, could hamper consumer confidence going forward.

However, she remains upbeat about the positive shift the business has seen as it emerges from the pandemic,. "Yes, these are challenges," she admits. "But life is a challenge and business is a challenge – and you just have to rise to it . And I'm confident that the Group will do so.

WATERGATE BAY
HOTEL

Hideaways and homes

Premium experiences - as well as help for staff - are key to success

When Jamie Oliver's Fifteen Cornwall restaurant closed its doors for the last time in December 2019, the owners of Watergate Bay Hotel were determined to turn this loss into a positive. They spent the darkest days of the pandemic converting the site into seven 'beach lofts' to complement the 73-bed hotel's existing offering.

With stunning sea views, direct beach access and sustainable designs – including reclaimed timber and upcycled furniture and bathroom tiles – the lofts are pitched at the premium end of the holiday market.

The £1m-plus investment was a bold move at an uncertain time. But according to Group Finance Director Chris Naisby, the business was confident that demand for high-quality holiday experiences would persist after the pandemic had passed.

That has proved to be well founded. The lofts are particularly popular with intergenerational family groups, which appreciate the flexibility of self-contained accommodation and the opportunity to bring their dogs along. Some combine their trip with surfing, swimming or yoga sessions.

Case studies

"Demand was strong during the windows of opportunity we had during the pandemic, and has continued at a high level since," says Chris. "Our take on 'active relaxation' and wellness have always been at the core of our model, and we have many loyal guests who may return at other times to take different types of breaks."

Beach ski chalets

Watergate Bay likes to style itself as a "ski resort on the beach". It's a concept that is attractive to the team as well as holidaymakers. During the pandemic, the company's gap-year programme attracted students who might have travelled abroad in other years.

"Our approach was, 'you wanted to do a ski season – come to the ski resort on the beach instead'," says Chris. "These are paid roles, with opportunities to gain experience across the range of hospitality, from food and beverage and welcoming guests to back-office roles."

Discounted surfing, sports and other activities are part of the attraction. More widely, the company's benefits package has included seasonal bonuses, extensive training and development, and the opportunity to work flexibly across both Watergate Bay and its related Lake District hotel, Another Place, in Ullswater.

"Our take on 'active relaxation' and wellness have always been at the core of our model, and we have many loyal customers who might return at other times to take different types of breaks."

Cosy communal living
Like other hospitality businesses, however, the hotel has found staffing tougher of late, with the overheated Cornish property market compounding the fierce competition.

"Last year we faced a challenge sourcing people including chefs and front-of-house staff. We had to consolidate our three on-site restaurants and curtail their opening hours," says Chris.

In response, the company leased 24 cabins to accommodate team who found it difficult to secure affordable rental accommodation in the area. Occupation last summer was high.

"The cabins are self-contained one- or two-bed units, each with a kitchenette and bathroom," says Chris. "But we see those as a short-term measure. The long-term strategy is to acquire local residential properties which can be developed into houses of multiple occupation. The first one has been acquired and is currently being converted."

Shepherd's huts
The staff accommodation situation has been slightly less acute in the Lake District. But Watergate Bay's related hotel, Another Place, has also acquired the rental of local homes for staff use.

The diversification strategy adopted for the Cornish site is being replicated in Another Place. Here the out-of-hotel accommodation includes a treehouse and handcrafted shepherd's huts, equipped with log burners, free-standing baths and stargazing roofs. The units, representing a further £1m-plus investment, will come onstream for the summer season.

The company's confidence is clear: it is currently seeking planning permission to convert a third site, a stately home in Hampshire, into a 50-bed hotel with two restaurants, swim club, studio and treatment rooms.

Watergate Bay's holiday-letting subsidiary, Beach Retreats, is the only part of the business that has seen growth level off slightly as the economic environment has changed, says Chris: "Elsewhere, demand remains very high – and, critically, we expect to have a full complement of staff this year."

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Strategies for success

Be an employer people want to work for

Go beyond pay

If further pay rises become unsustainable, consider ways to enhance staff rewards beyond basic earnings – perhaps by increasing your service charge so staff receive better tips, or by providing accommodation for employees who need it.

Think creatively

Consider how shifts could be reconfigured to offer better work-life balance for staff and potential recruits. Maybe reduce the minimum number of shifts in a week or use tech so staff can select the shifts that best suit them.

Get close to your customers

Investing in CRM technology can give you insights on your customers' changing behaviours and preferences. Use this valuable data to inform the way you develop services and devise highly targeted offers tailored to their wishes.

Avoid burnout

If vacancies are high, protect your existing staff from burnout. Introduce an attractive welfare package, and ensure dedicated staff are acknowledged and rewarded – for instance, through one-off bonuses.

Show your credentials

In recruitment exercises, ensure you highlight features of potential importance to your pool of potential candidates beyond pay, perks and advancement prospects. Cover your social purpose, support for local causes, and sustainability efforts.

About the author

Mike Saul
Head of Hospitality and Leisure,
Barclays Corporate Banking
mike.saul@barclays.com

Mike is head of Barclays' UK-based Hospitality and Leisure team. With more than 30 years' experience, he and his team support a wide-ranging client base with their dedicated specialist approach, industry knowledge, and sector-specific products and services.

For further information and to find out how our sector specialist team can help your business respond to the issues outlined in this report, please contact Mike Saul.

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