

# 7 Changes the UK's Hotel Sector Can't Afford to Ignore

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The pandemic, Brexit and ongoing supply issues have prompted key changes in the UK's hotel sector, many of which are long-term, if not permanent.

*'The past 18 months has been an unprecedented time for hotels. In order to survive, businesses must embrace change across their entire operation and do so quickly,' says HVS London chairman Russell Kett, who outlines seven changes that businesses can't afford to ignore as we move into 2022.*

**1. Reliance on technology:** The use of smart rooms, digital reception, keyless rooms entry, smart payment, smart check-in/-out – with some hotels eliminating the need for a front-of-house reception team entirely – is now becoming commonplace. *'The pandemic has prompted technology to play a greater part in our day-to-day lives, and hotels must now reflect this, and even lead the way in the use of smart technology as many customers will now demand this in all areas of their lives,' says Kett. 'Hoteliers have historically been painfully slow to address technological improvements but now need to invest in the future to keep up with guests' expectations.'*

**2. A new dawn in business travel:** While face-to-face meetings remain the gold standard, online communication provides a cheaper, more time-efficient alternative way of meeting. Travellers will need to find ways to make business trips more efficient, perhaps combining them with a leisure element, as companies continue to impose greater financial scrutiny over travel costs. *'Hotels with heavy exposure to MICE business must look to offer facilities that support and enhance this, whether it be spaces for smaller meetings, encouraging local people into work hubs or offering areas for online meetings with suitable background, lighting, seating and food and drink,' adds Kett.*

**3. Greater diversity in financial lenders:** As the market proceeds along a recovery phase, there's likely to be an increase in refinancing, restructuring and disposals. Debt funds are tipped to become the most active lenders, although traditional lenders are likely to return once hotels' cash flows improve. Financing is, however, expected to become more diverse as credit funds and other alternative lenders tolerate a greater degree of risk, albeit at a higher cost to the borrower.

**4. Transactions falter before recovery:** There's still a huge weight of capital looking to invest in hotels and, while the availability of distressed acquisition opportunities is likely to be significantly less than expected when the pandemic began, this will support recovery in asset values along with the fact that owners looking to sell will hold on to benefit from a recovery in pricing. Improving prospects and a growing number of distressed sales as loans come up for refinancing should ensure that hotel transactions become significantly busier as 2022 progresses.

**5. Shrinking payroll:** Data from the Office for National Statistics puts the staff shortage in the hospitality sector at around 10% of capacity. This is largely due to furloughed staff finding work elsewhere and changes in visa requirements, which has prompted more than 90,000 European workers to leave the industry since Brexit.

*'Some hotels have reduced their trading hours or days, cut out lunch service or afternoon tea, closed gyms or health spas, or are trading with a percentage of rooms shut or with reduced service levels,' says Kett. 'Finding staff to service large functions and events has proved particularly challenging. In the longer term, hotels must operate with fewer staff, aided by a greater use of technology. Some of the hotel company brand standards which were scaled back during the pandemic may need to remain in place for the longer term, and further changes may need to be considered to reflect the new normal.'*

## Summary

The pandemic, Brexit and ongoing supply issues have prompted key changes in the UK's hotel sector, many of which are long-term, if not permanent. HVS London chairman Russell Kett outlines seven changes that businesses can't afford to ignore as we move into 2022.

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**6. More outsourcing:** Hotels have often outsourced services such as cleaning, housekeeping, maintenance, and security, but staff shortages are now prompting new areas, such as food preparation and room service, to be outsourced too. Restricted menus and easier-to-assemble dishes as well as improvements in deliveries now enable this to work more efficiently and economically. *'This isn't possible for high-end restaurants,' says Kett, 'but where food provision is an add-on, and the menus are suitable, a degree of food preparation can easily be completed off-site by a number of new 'dark' kitchens starting up, easing both food supply issues and staffing shortages. Some hoteliers who have space available could consider leasing some of these areas to the operators of such kitchens.'*

**7. Sustainability cannot be ignored:** There is no doubt that corporate sustainability has become an urgent matter. Lenders and investors are now looking at a company's environmental credentials and are increasingly limiting their exposure to or declining to become involved with those that don't have an active or convincing ESG policy. *'This issue can no longer be ignored or paid lip-service to, it's become both real and very urgent,' says Kett. 'The hotel sector in general is very late to this party and needs to act responsibly, decisively and fast.'*

#### About **Russell Kett**



Russell Kett is Chairman of the London office of HVS, which he joined in 1995. He has 45 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. For more information, contact: [\[email protected\]](#)