



## **Report on Resilience First Webinar**

**27 January 2021**

### **‘Reinventing the hospitality sector in a Covid-19 world’**

#### ***Speakers:***

***Jean Devlin, Partner, Control Risks***

***Kate Nicholls, CEO, UK Hospitality***

***Darren Carter, Head of Security, Edwardian Hotels London and Chair, Institute of Hotel Security Management***

#### ***Chair:***

***Jean Devlin, Partner, Control Risks***

#### ***Key Messages***

- Covid-19 does not affect all sectors of the economy and all businesses in the same way. The impacts on the economy have proved to be persistent and the yo-yoing of restrictions imposed has been debilitating for many businesses that rely on footfall and social contact as part of their raison d’être.
- Economic intervention has placed an emphasis on job preservation to ensure that when the demand side recovered the supply side was also viable. Social consumption has been the worst affected sector with accommodation and arts/recreation leading the field: it typically accounts for 20% of UK employment and 25% of activity. London has been badly hit with 270,00 jobs lost, but 660,000 redundancies have occurred across the UK (as at mid-November 2020). This has affected around one in three jobs in hospitality in London, compared to the sector accounting for just 1 in 10 in the capital.
- Recovery is expected to be robust with growth rates in 2021-22 of around 5%+ (according to the IMF forecast). Its pace and extent will hinge on two drivers: vaccination efforts; and the speed of return in travel, particularly in domestic but also international travel. The post-summer return to offices in some form after vaccination will be important to drive spend in the hospitality sector. Travel and tourism will flow between countries with higher vaccination rates. Intra-European tourism is likely to recover faster than in other regions such as Egypt, Turkey and parts of southeast Asia where vaccine orders remain lower.
- UK Hospitality is the trade body representing the hospitality sector (8,000 members, 89,000 outlets) and suppliers with the aim of *promoting* the sector, *preventing* unnecessary restrictions, and *protecting* members’ interests. The sector (pre-Covid)

contributed £130bn to the economy (7% of GDP), with £39bn coming from foreign tourist spend in premises: this is the third largest export sector. It amounted to 11% of UK employment (3.2m, 2m people in supply chain, with 60% in 18-24 age group) and £40bn tax return. Hence the industry is a tax, jobs and wealth creator.

- As a result of Covid-19, revenues have fallen by around a half with a decline of around 30% in total headcount and 4% in November and December 2020 alone. About one in five business only have enough cash reserves to see through to March 2021, even with the \$0.5bn spent on support and furlough by the government.
- It remains important to recognise the overall positive contribution that existed pre-Covid in the build-back-better plan. The 2.8% uptick in the GDP in August 2020 was largely due to the opening of the hospitality sector between lockdowns and does reflect potential. (The infection level during the summer opening in hospitality was less than 3%.)
- The three-point plan for recovery is based on: (a) supporting the build-back-better plan, (b) accelerating the pace of recovery and (c) helping the levelling up agenda in jobs, training, etc. The plan is linked to the national vaccine rollout programme and having a clear exit strategy from both lockdown and for easing social-distancing restrictions. The industry has extensive protocols in place for a phased, sustained and safe reopening.
- With the vaccines taking time to become effective, the phased plan needs to look at least 12-14 weeks ahead. This should be accompanied by rapid mass testing: this will be particularly relevant for the younger population who will have to wait longer for vaccination.
- Longer notice periods will help with the reopening of large venues for mass-participation events such as conference, concerts, etc. However, the lack of affordable and available insurance cover for such events is another element hindering recovery and the government should consider becoming the insurer of last resort as with terrorism cover.
- There will inevitably be a contraction but some, particularly the larger organisations, will prove to be resilient. It will be necessary to rebuild balance sheets for the entire sector in order to help a return to profitability. If the government wants the recovery to be speedy then we must have the mechanism in place ready to respond e.g. lower rate of VAT for the industry, structural reform of business rates, and flexible furlough schemes. This is all possible. The biggest challenge is short-term survivability ahead of any recovery.
- The traditional concept of unassumed safety and refuge in public spaces, in spite of recent terrorist acts, has been challenged by the pandemic. Behaviours have changed and people are now much more conscious of their safety around travelling and visiting. The new traveller will be one who will invest more time in his/her itinerary and carry out a personal risk assessment. Business and domestic travel will remain constrained for some time but pent-up demand for adventure and social interaction will persist. Hotel owners have persistently tried to make people feel safe and enjoy the vacations: this will require reminders of other threats such as crime, terrorism, etc.
- Restoring confidence to the conscious traveller will involve new safety standards and regulations, and new responsibilities for operators of public spaces. This will be true for the hotel industry which has lost 6,000 licensed premises over the past year but will recover. Customers will also expect experiences while travelling and the industry has constantly adapted to meet those expectations in the past. In the future, it will require businesses to be 'powered up' after long periods of inactivity and a loss of skills.
- It will be important to avoid the current restrictions becoming the new norm for the long term as this make many businesses unprofitable. Existing safety protocols can be restored if the situation demands but a return to some form of pre-Covid normality is the desired objective. The use of hybrid methods of working will facilitate this return.

Businesses will need to pivot to new customers and offer new experiences rather than changing the fundamentals.

- The levelling-up agenda will create problems for London as it focuses resources elsewhere and requires quick wins. The show-case hosting of G7 in Cornwall and COP26 in Glasgow will help here but will require a vibrant hospitality sector. Success will also depend on the viability of the high street and the hospitality sector has much to offer: last year, £10bn was invested in the high street. However, investment outside London will create tensions for the government as the capital experiences a double hit from a decline in commuters and customers at the same time. Success and profitability in London's hospitality sector will be important for the country as a whole.

**A copy of the full video recording of the presentation, and the subsequent discussion, can be found [here](#). The slide set used by the Chair can be found [here](#).**

## **Speakers' Biographies**

### **Jean Devlin**

Jean manages Control Risks' client engagement and business development in the UK and Ireland. She co-ordinates across Control Risks' dedicated account management function and subject matter experts to ensure solutions are best aligned to clients' needs in the market. She is responsible for managing client relationships, business development and managing consulting engagements for a range of clients.

She has extensive experience advising clients on investment decisions, ethics and compliance issues, operational analysis and complex problem solving. She has particular expertise in the field of business and human rights, including investment in post-conflict environments, as well as in extractives, power and infrastructure, pharmaceuticals and agriculture.

### **Kate Nicholls**

Kate Nicholls is CEO of UK Hospitality, the powerful voice representing the broad hospitality sector, having previously worked as CEO and Strategic Affairs Director of the ALMR.

In July 2019, Kate was appointed Chair of the Tourism Alliance, the membership organisation for the tourism industry comprising of leading trade associations/trade bodies within the sector. Kate is also Chair of Mayor of London's Night Time Commission and is also a member of the Events Industry Board, London Food Board, Tourism Industry Council, Cultural Cities Enquiry, London & Partners Members Group and the Advisory Board for the Institute for Industrial Strategy.

After gaining a degree in English and a post-graduate diploma in competition law, Kate worked as a researcher in the House of Commons and European Parliament before joining Whitbread as Government Relations Manager, starting her career in hospitality in 1993.

Kate was Director at one of the largest independent public affairs companies, working with a number of hospitality, retail and leisure accounts before establishing her own strategic communications consultancy in 2000. She is a graduate of Fitzwilliam College, Cambridge and King's College London.

**Darren Carter**

Darren's career spans 23 years within the security industry, the majority of which has been spent in hospitality. Having held several senior management positions with major hotel chains, Darren is now in his 16th year as Head of Group Security for Edwardian Hotels London.

He is Chairman of the Institute of Hotel Security Management and holds a leadership role within a number of organisations supporting the wider security industry. Prior to joining the industry Darren served for eight years in the Fleet Air Arm, Royal Navy, operating across Europe, North Africa and South America.