



THE SINGLE MINDED  
BUSINESS BANK



SECTOR PERSPECTIVES

---

# HOSPITALITY

---

- 1 GEARING UP FOR GROWTH
- 2 TARGETED TECH INVESTMENT
- 3 LONDON'S HOTEL BOOM
- 4 BRITAIN'S FOOD CULTURE

► **Welcome** to Allied Irish Bank (GB)'s new review of the UK hospitality sector. We are delighted to share our perspectives on the opportunities and challenges facing the sector and hope you will benefit from our insights. Our review highlights the many opportunities for investors in a hospitality sector that is thriving, despite the uncertainties of Brexit. Britain remains an attractive international destination and will continue to be so. International travel is going to grow significantly and there will be more foreign visitors to the UK, which has become even more attractive following the decline in the value of the pound. London is welcoming more tourists than ever, and other UK cities are benefitting too.



**FOREWORD BY EMMA YOUNG**  
HEAD OF AIB (GB)  
HOTELS TEAM

## Hotels and restaurants gear up for growth

Our review also explores these issues in depth:

**Targeted tech investing** makes the case for greater innovation in the hospitality sector to meet the growing expectations of an increasingly tech-savvy clientele. From advanced booking systems to online room service, technology is creating new opportunities to enhance the customer experience and create business efficiencies. It also considers the sector implications of the Airbnb era.

**London's hotel boom** charts the phenomenal expansion of the hospitality sector in the capital, which is leading the UK's charge as the development hotspot of Europe. Thomas Emanuel, Director of Business Development at STR, shares his unique insight into the opportunities for the hospitality sector.

**Britain's food culture** reports on our evolution as a foodie nation, which has seen the dividing lines between fine dining and fast food blur as the sector adapts to ever-changing customer demands. The food culture is as competitive as ever, but offers big rewards for canny investors.

We also have a fascinating interview with Justin Salisbury, founder of Artist Residence, whose stylish concept hotel in Brighton is flourishing. He tells us how an uncertain appearance in TV's *The Hotel Inspector* gave him the opportunity to put advice by presenter Alex Polizzi to good effect.

At AIB (GB) we understand the banking needs of your hospitality business and have built up an impressive portfolio of reputable clients, from SMEs to large corporations. Our knowledge of the sector forms the basis of lasting partnerships across the country, with dedicated relationship teams offering product packages to support your business growth aspirations. We hope that you enjoy our hospitality sector review, and that you will be inspired to learn more about our unique offering. If hospitality is your business, we look forward to hearing from you.





# Targeted tech investing

*Be intentional about the technological services your hotel offers*

► **The hotel industry's** relationship with innovation and technology has changed considerably over the decades. There was a time when it was likely that hotels would be among the first places to have something new. At the beginning of the 20th century, for instance, the first buildings in many towns to get electricity and install lifts were often hotels. When London's Goring Hotel opened in 1910 it made much of the fact it was the first hotel in the world to have bathrooms and central heating in every bedroom. People would often visit to hotels to experience technological innovations.

More than a century later, that has largely ceased to be true, as hotel consultant Melvin Gold points out: "It's true that hotels used to have the best technology, but it's different now. Most hotels find it impossible to have better technology than that in their guests' homes. Guests who stay in, say, The Dorchester or The Savoy, are well-off enough to have all the latest gadgets themselves. For hotels, the issue is that technology now advances so quickly that they can't keep up. It would cost too much."

Many hotels solve this problem by focusing on a few bits of technology that really matter. Good wi-fi is of course important, because it allows guests to make the best use of the technology they will almost certainly bring with them. It's a case of making it easier for guests to use what they already have rather than giving them something they've never seen before.

## Ease of use

When hotels do add new technology – for checking in, for instance, or for booking a room in the first place – it needs to be easy to understand. Again, guests will be familiar with the technology they have at home but if they are staying in a hotel for just a night or two they don't want to be confronted with anything they can't work.

This is true even for the simplest of things. Gold recalls one former colleague who was not particularly technically minded and couldn't work out how to operate the electric curtains at the world-famous Adlon in Berlin. When he tried to pull them apart by hand everything fell down, curtains and curtain rail.

Gold says: "When this sort of thing happens it is hugely embarrassing for guests. They feel stupid, and that's not how hoteliers want them to feel. Technology should be simple."

That said, it's also true that guests are increasingly happy to use technology. The success of companies such as Airbnb (see panel), or apps including Hotel Tonight, demonstrate that there's a huge market for using new technology to find a place to stay and to book a room.

Nor do technology and the personal touch have to be mutually incompatible. Take automated check-in. The fact it probably cuts the number of reception



## Post-Airbnb

In its nine year history, Airbnb has caused quite a stir among hoteliers worldwide. Although still a private company it is said to be valued at \$30bn, more than \$10bn more than the market capitalisation of Hilton, the most valuable listed hotel brand.

Airbnb is expanding too. Its latest initiative is to introduce trips, flights and services into its offering. This was launched in November in 12 cities worldwide, including London.

How should mainstream hoteliers react to all this? Well, some see Airbnb as a threat but others, such as the Bermondsey Square hotel in London, have taken it as an opportunity. General manager Robert Holland has linked up with Airbnb to offer a number of services to local apartment owners who are using the online service to rent out nearby properties. These include a key pick-up service, as well as housekeeping, cleaning and maintenance services.

The service only began in November but Holland has already seen a number of benefits. One is that the relationship generates business for the hotel restaurant. Another is that guests can move between Airbnb properties and hotel rooms more easily, depending on which suits them better. The hotel has already had one guest who moved in when their Airbnb property had a water leak.

Holland says: "It can go the other way too. If we get an enquiry for a three-month stay, which might suit Airbnb better, then we can refer the guest to Airbnb instead. For me, the key is that the two services can complement one another."

staff needed by a hotel doesn't necessarily mean service has to suffer. One member of reception staff can keep an eye on two or three guests using automated check-in rather than giving their full attention to a guest they are checking in directly. This then frees up staff to attend to those who need help, which can be a real benefit.

Gold adds: "Ordering room service on a laptop is another example. As long as it's easy to operate it can be more reliable than waiting for a phone to be answered or things going wrong with the order. There can be more clarity when the guest keys in an order."

From an investment point of view, it's crucial to make good use of hoteliers' expertise, because it's not about just investing but about investing in the right things. Chain hotels can do this well, but so can well-managed independents, says Gold. He adds: "Much of the innovation in the hotel sector has originated in independent hotels. That's not to say all independent hotels are innovative, nor can they all afford the latest technology.

"Entrepreneurial owners seek to solve problems, or try things they like or that make their own lives better. It seems that as much innovation originates in independent hotels as in chains. And it's worth remembering that it was the independent sector that started the boutique, lifestyle and design-led trends that have so influenced the sector in recent years."

**"Most hotels find it impossible to have better technology than many of their guests have at home"**



# London's hotel boom

*The UK capital is to create more rooms than most countries in Europe, says STR's Thomas Emanuel*

**If you want to know** in which direction the UK hotel market is going then there are few better people to ask than Thomas Emanuel, director of business development at STR.

STR's business is benchmarking and analysing the hotel market, and London-based Emanuel is one of its brightest stars, giving speeches all over the world on the state of the hotel market in all its guises.

So what does he think 2017 will bring for UK hotels? Growth is one answer, with some remarkable figures for the increase in the number of UK hotel bedrooms.

Emanuel points out that next year is expected to see an additional 15,000 hotel bedrooms in London alone – a figure that's not only more than that of any other European city but than any other European country, with the exceptions of Germany and Russia.

Taken as a whole, the UK remains the “development hotspot” of Europe, adds Emanuel, with 43,000 “new keys” expected next year. The next biggest, Germany, expects to see an additional 26,000 over the same period.

## Supply and demand

So does this mean business increases for hotels? Yes, but with some qualifications. One of the issues is that although both demand and supply of hotel bedrooms is expected to increase in 2017, supply is expected to slightly outstrip demand. The predicted increase in the total number of bedrooms is two per cent, against a 1.2 per cent increase in demand. While not wildly out of kilter, this will potentially put pressure on occupancy levels.

The amount people pay for their hotel rooms – room rate – is already slightly down on the year-to-date figures in London (0.9 per cent at the time of writing), although the regions have seen an increase (up 3.1 per cent year-on-year).

Emanuel says this is not so much a case of the regions catching up with London (“the markets are completely different”, he says) but more that the regions took much longer to recover from the financial crisis, but are doing so now. Other factors that are expected to affect hotel business are the continuing consequences of the Brexit vote, which is both huge – in the sense that it is a big decision – and nothing at all, as the UK has yet to leave Europe and won't do so for at least two years.

In the meantime, Emanuel goes along with generally observed analysis of the consequences of the vote. This is, essentially, that the fall in sterling has made the UK cheaper and therefore more attractive to overseas visitors, while more UK citizens might also stay at home because it is more expensive for them overseas.

Even within this picture there are many subtleties, including the nature of the increase in visitors. If, as seems

likely, the increase is more marked in leisure visitors than corporate, the different behaviours of these two groups must be taken into account. Leisure visitors tend to be more price-sensitive (no expense accounts) than corporate ones, which makes the rate more important to them.

## Performance data

Emanuel expects growth in the hotel business to continue, broadly speaking, although like most commentators he is wary of overstating the certainty of any predictions. “This was quite a year,” he says, “which makes everybody cautious. If you had been asked for the odds on Brexit and a Trump victory at the beginning of 2016 you would have been given long odds, so in that sense who knows what 2017 will bring. It's a fast-changing world.”

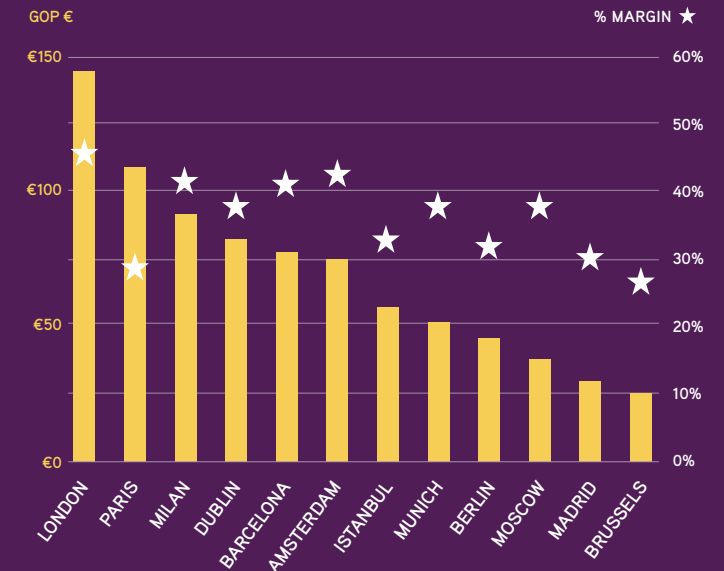
And in this fast-changing world, STR's core business of providing hotels with the data they need to measure their performance seems set to flourish.

STR's data covers 55,000 hotels worldwide and 3,500 in the UK. It breaks down performance geographically and also gives hotels the chance to receive data from their own self-selected “competitive set” – a minimum of four hotels against which they can be realistically measured.

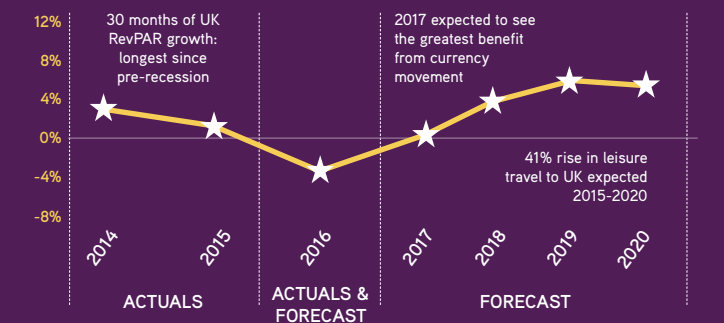
The key measurements are rooms available and sold, together with the net room rate. Taken together these figures allow STR to produce average occupancy figures, average rates and what is perhaps the industry's most treasured statistic, RevPAR (revenue per available room).

These figures are sent to hotels every day, usually by 10am, allowing them to

Average GOPPAR and % margin in key European markets – YE 2015



Greater London RevPAR % change



Sources: STR & Tourism Economics

see how they did the night before and how they might respond. It's exactly the sort of immediate market analysis that hotel managers need. So while longer term predictions might be less certain, managers can be fairly sure that daily statistics of their own performance measured against competing hotels can give them a timely summary of their day-to-day performance.



# Britain's food culture set to expand

*How the gap between fine dining and takeaway has closed, with the two more entwined than ever*

▶ **Britain's evolution** as a foodie nation is set to hit another stage in 2017, with the distinctions between fine dining and fast food continuing to lessen, bringing different strands of the restaurant world closer together.

There are hints of this everywhere. In the 2015 film *Burnt*, in which Bradley Cooper plays a fine-dining chef making a comeback, he spends part of the time eating his way through London's backstreets. One of the purposes is to identify and recruit talented chefs from the many vibrant food stalls in the capital.

This doesn't seem unrealistic and is an accurate reflection of how different levels of cooking are nowadays taken equally seriously, in a way in which they simply weren't in the past.

You can see this in how investors are choosing to back fast-food restaurants of a sort we have never seen before. Take Hipchips, a "crisp restaurant" that opened in London's Soho in November. This may sound like a parody but there's more to it than you might think. The menu lets you choose the

type of potato and it's not only about the crisps, but the dips that go with them. These are both savoury (veggie ceviche, katsu curry or smoky cheese fondue, for example) and sweet (such as chocolate praline mousse, lemon tart and raspberries or crème brûlée). All of it is designed to appeal to foodies. One suspects that the "crisp restaurant" publicity campaign was a clever marketing understatement. And it seems to have worked very well.

## Relaxed style

At the other end of the culinary scale, grand dining is also changing. It's not that it has gone downmarket – perish the thought – but it has become more relaxed. Nowhere is this more evident than in Marcus Wareing's two-Michelin-starred restaurant at The Berkeley.

Wareing took a decision during the highly formal restaurant's last refurbishment to introduce a far more laid-back style.

He says: "I think really fantastic restaurants will continue to open, but they will be dressed up in a new and different way – being more relaxed than ever before."

This doesn't mean the level of cooking will change – indeed, the demand for top-notch quality is unabated, as the Soho crisp restaurant demonstrates.

"Top-end dining is still detailed and intricate, it's just presented in a very different way," says Wareing. "For instance, the staff are more relaxed than ever before; they are showing their personality more and are engaging with customers in a much more personable way. Gone are the days of stiff formal service."

## What does Britishness mean to you?

*How to choose – and market – your own British brand*

How much does being British matter to the UK hospitality business? Brand Britain has become rather a hot topic in recent years. Hotels everywhere sell themselves and their approach firmly on a notion that the national heritage can offer something distinctive, historic and evocative to visitors from both home and abroad.

But not everywhere is equally suited to marketing itself as British. And not everybody's idea of Britishness is the same, as a 2016 survey by the Pride of Britain hotel group made clear.

The survey, based on a poll of 1,000 adults, found that 37 per cent thought politeness most identified Britishness, closely followed by 33 per cent saying "a stiff upper lip" and 23 per cent sarcasm, which seems rather odd when coupled with politeness.

Britishness, then, is a concept that's as broad as it is elusive. Most British hotels try to use it to their advantage but also realise how hard it is. Kate Levin, general manager at The Capital in London, says that Britishness is very important to them, but she recognises that it doesn't apply across the board. "For us, it's a USP but London is a very international city, so clearly it doesn't apply to everybody," she says.

Ufi Ibrahim, chief executive of the British Hospitality

Association (BHA), says: "The UK brand is very important in how hospitality and tourism is sold to our overseas visitors but it means different things to different people. To some it might mean our magnificent coastline and countryside, cosy Cotswold villages, stately homes, a trip to the theatre or a cream tea in a traditional hotel. However to others it might mean a zip wire, a craft beer in Shoreditch or a meal in one of the hundreds of top restaurants in London where there's not a Yorkshire pudding in sight."

In other words, Britishness is not quite anything you want, but certainly can be what you choose to make it.

Hoteliers are well aware of this. Beppo Buchanan-Smith, the owner of luxury Scottish hotel the Isle of Eriska, which has a Michelin-starred restaurant, says: "On a world stage, we use the Great Britain badge as it helps attract business. In the same way that Edinburgh helps bring visitors to Scotland, and then Eriska, London helps bring visitors to Britain, and then Scotland.

Overseas visitors, especially from the Far East, see Britain as the attraction and Scotland very much as a subset, so while kilts and tartan and whisky may help identify us around the world the Union Jack is better known than the Saltire. And we never use the EU flag!"

## Customer demand

Part of all this is simply down to customer demand, the so-called DIFM ("do it for me") culture that leads diners to be more and more impatient with anything they do not want. It seems a long time since the 1990s, when the star chefs ruled their dining rooms with strict policies and acidic tongues.

This trend has even affected the world of takeaway, which has been transformed by delivery services such as Deliveroo, allowing customers to enjoy restaurant-quality food at home.

## "Gone are the days of stiff formal service"

Deliveroo's place in UK food culture has been firmly established since it was set up by a former investment banker in 2013. Today, it is not just operating in London but all over the UK, even making a mark in cities such as Exeter, where the local paper has run stories on how Deliveroo's uniformed couriers congregate in one part of the city centre awaiting orders.

It's all part of Britain's diverse and ever-developing food culture, a culture that is competitive but can offer big rewards for canny investors.

## CASE STUDY:

# The rise of Artist Residence

*How a stylish concept hotel in Brighton spread nationwide*

► **There are many ways** to become a hotelier, but starting because your mother was knocked down by a bus must be one of the strangest.

When his mum had her accident in Brighton, Justin Salisbury was studying at the University of Leeds. He immediately left to look after her (she has since recovered) and ended up taking on the run-down and empty Brighton guesthouse owned by the family.

He still remembers standing on the steps nine years ago, aged 20, and almost accidentally letting his first room after an enquiry from a passer-by. And he hasn't looked back; he now owns the Artist Residence boutique hotel group with his wife, Charlotte.

The group still runs the hotel in Brighton – much smartened up – as well as hotels in Penzance and Pimlico. Each of the hotels also has a standalone restaurant and bar, with the group regularly mentioned as one of the stand-out new boutique groups in the country. In its first year the Brighton hotel took £40,000. Now group turnover is up to £3.5m and a new hotel in Oxford is in development.

## A bit of a shambles

By most measures this is a highly impressive commercial success story. But it's hard to get this sense from Salisbury because he is the opposite of the usual image of a sharp-operating entrepreneur.

Among other things, he is self-deprecating to a startling degree. He recalls the first three years of the business as “a bit of shambles”, adding that he had a naivety about the hotel trade that was hardly surprising, given that he had no experience at all.

Naive, perhaps – but far from foolish, as his observations quickly tell you. “It's all grown organically

but I realised fairly early on that you can let any sort of room in Brighton on a Saturday night; it's the other nights that are more challenging,” he says.

But the hard graft – in the early days, Salisbury would press all the bed sheets himself – paid off, and the pair smartened up the hotel in the eclectic fashion that has become the hallmark of Artist Residence, at one point advertising on Gumtree for artists to come and help decorate.

The hotel even featured in the television series *The Hotel Inspector*, which, he cheerfully acknowledges, “specifically chooses bad hotels to be on the programme and tends to make you look like an idiot”.

But Salisbury is no idiot and has taken on board the advice given by the programme's presenter, Alex Polizzi (who belongs to the Forte family), to good effect.

He says: “I think she felt really sorry for me. I certainly listened to her, and off-camera she was extremely helpful.” Salisbury says his progress as a hotelier over nine years has been through making a series of small changes. Sensible investment has been a key element of that and although AIB (GB) was not his first bank, it's the one he has settled upon.

“Investing can be hard, but what banks really want from you is a good track record, so as ours has improved, banking has become easier,” he says. “We've found that AIB (GB) suits us. They understand what we need and they are friendly about it, which always helps.”

The relationship between bank and customer is clearly flourishing. So much so that Artist Residence now employs more than 80 people and Salisbury can afford to employ someone else to change the bed sheets.





To speak with a bank that can help  
you grow your business, call

+44 (0)207 090 7169

or email

[emma.j.young@aib.ie](mailto:emma.j.young@aib.ie)

---

[aibgb.co.uk](http://aibgb.co.uk)