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THE IMPLICATIONS OF COVID-19 AND BREXIT ON GENERATIONS Y AND Z's BEHAVIOUR, AND HOW CAN CITY HOTELS IN THE UNITED KINGDOM REACT – INBOUND LEISURE TRAVEL MARKET OUTLOOK

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Abstract

The pandemic disrupted businesses across the globe and the hospitality industry is among the hardest hit. This study investigates the impacts of COVID-19 and Brexit in hospitality consumption of Gen Y and Z – the cohorts that will shape the future of travel – while exploring how can city hotels in the United Kingdom recover. To assess the travel market outlook and support hotels in establishing responsive strategies that match the latest trends, the perspectives of both experts and consumers were evaluated. Findings lead to an optimistic outlook for the recovery of the inbound leisure travel market shaped by the younger generations.

Keywords: Tourism, Hospitality, Generations, United Kingdom, City hotel, COVID-19, Brexit, Inbound leisure travel

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Inbound Leisure Travel Market Analysis Scope

The United Kingdom is one of the most popular travel destinations in the world owing to its fascinating history, cultural richness, vibrant cities, picturesque sites, iconic landmarks, dining spots, and exciting activities. The importance of the inbound leisure travel market for the country is undeniable and it has been proven with its absence due to the global pandemic. As previously seen, in 2019, the UK inbound tourism was setting new records and was, yet again, among the leading European countries in terms of international arrivals and tourist spending, with holidaymakers accounting for over 2/5. The YTD change in inbound visitors compared to 2019 is -97%, translating into a -94% change in visitors spend. Hoteliers had to look for alternative ways to compensate for the losses, mainly from the business segment with a YTD -98% change compared to 2019 (Visit Britain, 2021), and are now faced with an even more leisure-dominated market. Thus, it is now imperative to focus the strategy on leisure travel, and for many, the particularly high-value travellers (Accenture 2021).

It is risky to call the current scenario a post-pandemic one, since we have not seen an end to it yet, and it seems even further away as new variants of the COVID-19 virus keep threatening public health worldwide. Thus, hotels must develop strategies to compete in a far more competitive environment since “all players in the industry are now competing for a bigger slice of a smaller pie” (Accenture 2021). So far, domestic travel has highly contributed to the recovery of the industry, but it has not compensated for the deep fall in international tourism (UNWTO 2021). Therefore, hotels must design strategies not only for the short-term, with a focus on the domestic market, but also for the medium and long-run when the international market returns to the pre-pandemic levels.

Extensive research has been conducted to uncover the necessary actions hotels should take to survive the current times, including increased cleanliness measures and embracing technology throughout all touchpoints of the customer journey. Also, flexibility, agility, and adaptability have been pointed out as key competencies to live through this crisis. This report aims to provide insights on how to attract and retain guests belonging to the younger generations that are shaping the industry, based on valuable information gathered through the previously mentioned methods: an on-field internship, industry experts' interviews, and an online survey. This section will essentially use the answers from non-UK residents to understand their perceptions of the country and overall travel intentions. Following a characterization of the international market, the discussion of the results will be divided into four main research questions to deliver a structured and logical analysis.

International Market Characterization

From all non-UK residents 69% have already visited the UK, the majority of which (60.9%) travelled for leisure, while 25.6% travelled to visit friends and relatives and only 13.5% travelled for business (Figure 1), which follows the same trend of the overall inbound market to the UK, as demonstrated previously. Figure 2 shows the top ten leading destinations in the UK in terms of inbound visits from the three years prior to the pandemic (2017, 2018, and 2019), all of which are urban cities, emphasizing the significance of urban tourism for the country. In fact, among the survey respondents, the most popular type of destination is the city (46%) and in terms of accommodation, city hotels were the most preferred (Figure 3). Of those who usually stay in city hotels, 48.8% spend 2 to 3 nights and less than 20% spend a week or more. This is an indicator that tourists mostly engage in a city-break type of holiday.

Figure 4 helps us understand the factors that most influence consumers' decision-making process. Friend's opinion, advertisement of special promotions and online reviews are the top three selected by survey respondents. Hence, it is not only important to provide a consistently high-quality service, but also to build strong relationships with customers, since they can potentially become one's own marketeer through WOM. When it comes to special promotions, and packages, this also seems to be an often-adopted strategy to attract guests nowadays. Interviewee 3 implemented a family package in his hotel that was extremely successful and helped increase revenue. The hotel GM also mentioned that such strategies will most likely continue to be used even after the pandemic as a means to fight seasonality.

Regarding distribution channels, OTAs and an accommodation's own website are the most used by respondents to book their stays, but with a significant difference, 87.3% and 35.2% respectively. In this case, strong advertisements and special promotions may help increase direct bookings that represent more revenue for hotels since there are no commissions associated. By regularly monitoring critical market indicators such as the booking lead time and preferred channels, hoteliers will be able to determine when and how to engage with visitors in a way that builds long-term loyalty. As travel demand starts to recover, focusing on shifting distribution to the direct channel is one of the most effective ways to positively impact the bottom line. However, maintaining a healthy distribution mix, and proper planning to encourage bookings through the direct website is critical to maximizing profitability (HospitalityNet 2020). In this sense, a strong social media presence is required to increase awareness of the hotel's official website. Engaging the younger generations with the digital content by working closely with influencers is crucial since this is a source of travel inspiration as previously mentioned.

Looking at the case of Switzerland as a best practice, researchers from Ecole Hôtelière de Lausanne (EHL) are carrying out a project called “The Future of City Hotels in Switzerland” where they assess the challenges faced by city hotels due to the pandemic and propose solutions to tackle them. Unsurprisingly, the recommendations are built around the domestic market, nonetheless, there are important lessons to be taken from their approach. (1) The hotel becoming a place open to the neighbourhood; (2) The hotel as a hybrid, flexible, and quickly adaptable place; (3) The hotel offering co-working spaces and relative services; (4) The hotel as a destination where activities and events take place. The proposed solutions work towards the same goal. The hotel must become an interesting and desirable place, where people will want to gather, whether it is for locals looking for a meeting point nearby, professionals looking for a pleasant work environment, businesses expecting specific services, or tourists and locals wishing to experience something new, fun, and authentic (EHL 2021). Tourists look everywhere for authenticity, whether it is an actual experience or simply something different from their ordinary lives (Sharpley 2018). In fact, 60,3% of survey respondents indicated that they often seek authentic experiences. This authenticity is what sets a destination apart and attracts visitors from around the world, and, for hotels, offering unique and authentic experiences will grant them a great competitive advantage.

Q1: What Were the Implications of Brexit for the Tourism and Hospitality Industry?

The impacts of Brexit on inbound tourism are difficult to measure since its transition process, and official establishment took place while the world was going through a global pandemic. As figure 5 indicates, when asked if Brexit negatively impacted their willingness to travel to the UK, most non-UK residents had no strong opinion regarding business and VFR travel purposes. However, they somewhat agree that it affected their willingness to travel for leisure. Moreover, 43.2% of UK residents agree, to some extent, that Brexit negatively impacted their friends and relatives' willingness to travel to the UK. Thus, the country must make efforts to regain trust from overseas residents, since trust in governmental institutions can increase consumers' willingness to visit a place by reducing perceived uncertainty, as concluded by Braun and Zenker (2022).

What is certain is that Brexit had major effects on talent acquisition and supply, which affected the whole industry, representing yet another big challenge for hotels to adapt their offer, attract, and retain guests, which was aggravated by the pandemic. All industry experts interviewed mentioned these problems, which reinforces their significance. Still, interviewee 3, was able to identify an opportunity that is particularly relevant and should be considered by other hoteliers. Even though the number of staff is lower, the ones who stayed are extremely passionate and go above and beyond in everything they do, which is an opportunity to continue building a better workforce. Additionally, the whole staff assisted every department in any way they could, ultimately increasing the internal cooperation and respect for each other's roles. For example, they had a salesperson greeting and meeting the guests in the lobby to gain presence, which ultimately, helped them drive growth for the whole year. Moreover, interviewee 1 manifested his concern with the fact that the hotel staff is often an undervalued element of the business. Indeed, the study conducted by Herédia-Colaço and Rodrigues, revealed that up-skilling the workforce was the least prioritised strategy by city hotels to recover from the pandemic, most likely due to the costs associated to it that are seen as unnecessary for the short-term strategies. Nonetheless, managers must find creative ways to invest in their team, and one thing that the pandemic has proven is that it represented an opportunity for cross-training and re-skilling. If a hotel only focuses on attracting guests, it will fail to recognize great opportunities to retain them. As interviewee 2 mentioned, it is better to have a vacancy than the wrong person, because the wrong person will not lead the hotel to success.

Q2: How Did the Behaviour of the International Market Change with COVID-19?

Whether by need or choice, the pandemic significantly changed travellers' interests, values, and behaviour. Unsurprisingly, the focus is now on traveling in the safest and healthiest way possible. Consumers, on the other hand, are considerably more conscious of the environmental and societal impacts of their travel decisions, building on a trend that began even before the pandemic (Accenture 2021).

As noted previously, Gen Y and Z are deeply immersed in new trends and are more likely to adjust their travel behaviour based on their convictions, which is something hotels should take note of. With figure 6 one can see the significant changes that the pandemic caused in the minds of the younger generations. The percentage of people who (1) worry about sustainability, ethics, and equality; (2) worry about their physical and mental health; (3) are focused on their self-development; and (4) see travel as an emotional rescue, all increased by more than 14 p.p. Another interesting result is that the number of people who consider themselves as open to change increased from 52% to 72%. People were forced to adapt and embrace change and are currently more open to it.

Following multiple lockdowns, the UK government established strict travel restrictions to stop the spread of the virus. Long quarantine periods upon arrival and mandatory PCR tests may have discouraged individuals from travelling to the UK. Figure 7 reveals that 48.6% of the respondents consider that these measures were too strict when compared to other countries, and the majority (59,1%) agree that it negatively influenced their willingness to travel to the UK.

An additional set of questions were included in the survey to understand how much the behaviour of the younger generations changed with the pandemic and some results provided extremely valuable insights. There is no doubt that COVID-19 accelerated the use of technologies. Indeed, the most significant changes are noted in the shift to the digital world. As it can be seen in Figure 8, the percentage of people who spend a considerable amount of time on social media increased from 38.8% to 53.4%, and the number of people who often purchase online increased by 22.4 p.p. Expectedly, the increase in the number of people who choose digital technologies over human interaction is also one of the pandemic's side effects. Nonetheless, the amount of people who often do so is still below 20%. Moreover, 58% of the respondents valued human interaction before the pandemic and currently, 75% relate with this statement.

Understanding how this behaviour has evolved and responding effectively to those changes will be critical for businesses to recover in a post-pandemic economy. Organizations will need to reimagine the customer experience and act accordingly to maintain and build consumers' trust. They will need to develop offerings that reflect the impact of COVID-19 on customers' health and finances while also encouraging them to get out of the house, travel, and spend (Deloitte 2021).

Q3: Is the International Market Going to Return to the Pre-Pandemic Levels?

After being restrained from traveling for far too long, the population of today's globalized world will most likely want to compensate for the cancelled trips and spoiled vacations. Social distancing triggered the desire of meeting people and moving around. Combined, both are the basic ingredients for possible "revenge travel" (Vogler 2021). Additionally, the savings due to remote work might fuel an unprecedented rebound of leisure travel activities (Gasser 2021). This represents a major opportunity for the tourism industry. Nevertheless, hotels must be prepared to receive such visitors, eager to enjoy their time but with higher expectations and stricter requirements in terms of safety and cleanliness. The well-known needs and objectives of each segment suffered inevitable changes and companies must adapt their value proposition to properly accommodate them. Moreover, people are looking for new experiences that will make them feel extra levels of excitement, and a perfectly clean hotel room will not suffice. Some effects of this movement have already been felt during the summer months where international tourism saw a gradual improvement, especially in Europe, mainly due to the reopening of many destinations to international travel. The reduction of travel restrictions together with vaccination-related progresses, resulted in increased consumer confidence, gradually restoring safe mobility in Europe and other parts of the world (UNWTO 2021).

All interviewees seem very confident about the recovery of the international market. Interviewee 2 specifically stated that "City hotels are dependent on China, USA, and Europe inbound travel. Since these markets were off, hotels had to obtain new targets. However, I believe the international market is still going to be above the domestic market." Of all non-UK residents, only 31% have never been to the UK, most of them (81.8%) haven't had the chance to, while 15.9% have no particular reason, and only a small percentage (2.3%) has no interest (Figure 9). These numbers make us confident that the international market still has interest in the UK as a travel destination.

Q4: How Can City Hotels in the UK Create Value for the Younger Generations?

As results from the survey prove, Gen Y and Z do extensive research before booking accommodation, and what most influences their choice are the online reviews. Additionally, they prefer to allocate their money on activities, attractions, and dinning rather than accommodation. They travel on a budget, although this is truer for students than for the ones who are employed. Also, they are willing to spend more on offers they consider to be worthy. Finally, they consider the hotel to be a place just to sleep. These results can be seen in Figure 10. Therefore, city hotels must respond to these trends by creating unique experiences that will add value to their stay and encourage them to spend more time and money.

The acknowledgment of an economy based on experiences is proof that products and services alone are not enough to satisfy the needs and objectives of humans. Businesses must defy one's sense of reality and stir emotions in order to divert from a purely commercial transaction. Designing experiences around ordinary activities by engaging the senses is a great way to do so. Younger generations are known to be less loyal to brands, in fact, less than 20% of respondents claim they are loyal to brands they like. However, these experiences can help attenuate this tendency. The reasoning behind why people travel is broad and there are in fact endless answers. Nonetheless, there is a particular factor that nowadays motivates everyone to travel: new experiences. Indeed, 81% of respondents value unique experiences. It is in this context that the experience economy is introduced in today's hospitality business since it translates the customer's intention to spend money on experiences rather than material possessions.

From the survey, it was possible to identify people's priorities when travelling to a city. The first three are sightseeing, cultural activities, and gastronomic experiences. Certainly, the first two take place outside of the hotel premises. However, in general, all city hotels have at least one F&B outlet which is commonly not the main source of revenue because people typically want to try the local food and experience the iconic restaurants the city has to offer, which the UK is particularly well known for. Hotels must then explore what can be done inside the property to add value to the stay and meet the needs of these generations with increasingly higher expectations.

The pandemic was undoubtedly an opportunity for hotels to reinvent themselves and one important step is to re-think the usage of the available assets and recognize the potential of areas meant to fulfil the needs of the business travel market. Many city hotels targeted this segment and have facilities such as business centres and meeting rooms that are currently out of use. Thus, an obvious solution is to, at least temporarily, give these areas another purpose. One of the recommendations given to the hotel where the internship was held combined the creation of memorable experiences with the re-purpose of the newly renovated meeting rooms. A dining experience, perfectly aligned with the concept of the hotel, designed to attract both the domestic and international market, by setting the hotel apart from others with an experience that did not yet exist in greater London. Experiences make the most sense when aligned with the hotel character. As mentioned by interviewee 2, if a hotel lacks character, it will have to develop one. If hotels without personality were struggling before the pandemic now that struggle is increasing. When trying to reinvent themselves, an important step that hotels should take is to build a personality, with intrinsic values that younger generations can relate to. As previously mentioned, city hotels seek competitive advantage mainly through differentiation and, in this sense, a unique personality is an extremely powerful trait. Once established, the personality must be communicated, and for that, the hotel must have highly engaged staff who become true brand ambassadors.

Conclusions and limitations

There are reasons to believe that the international leisure travel market will return, although it is uncertain when it will happen, mainly due to uneven vaccination progress and the emergence of new COVID-19 variants. The current industry's performance is often compared to the year 2019, in a time where the industry was setting new records. But when the numbers match the pre-pandemic levels, the industry must be prepared to face a completely different reality, and things should not go back exactly to the way they were before. One may argue that the massive growth that the tourism sector witnessed in the last decades reached unsustainable levels and just like any other economic bubble, it was bound to burst. In this sense, if the new scenario represents a more sustainable practice of the tourism and hospitality industry, then the pandemic represented a critical disruption from where the industry will re-emerge stronger and healthier. Furthermore, this report shows that the younger generations have the means and willingness to take over as conscient consumers that will help maintain a sustainable growth.

The unique attributes that distinguish the UK as one of the most popular travel destinations still exist and results show that the interest in the destination is still strong, despite the strict travel restrictions and political instability. However, hoteliers must be prepared for what is yet to come. As tech-savvy individuals, Gen Y and Z have easy access to large amounts of information that entail a simpler yet more sophisticated decision-making process. Therefore, triggering their interest should be a priority. Once convinced, the challenge is to please and retain them, and that is where service excellence plays an important role. Not only in satisfying but also in connecting to foster loyalty.

Hoteliers seem optimistic and ready to make the changes necessary to adjust to the “new normal”. As previous crises have proven, only those who adapt quickly are able to survive. Also, those who are successful in spotting opportunities where others don’t. Turning adversities into opportunities is a relevant skill that all hotel managers should possess. The designed strategies must be flexible since the sector is highly exposed to external factors and demand is extremely volatile. Moreover, special attention should be paid to the workforce since they are a company’s key asset, as proven by the huge impact that the shortage of staff has had on operational management. It is then crucial to carefully handle talent to retrieve the best out of each employee and leverage the overall hotel performance. Finally, the extreme focus on the short-term solutions might harm long-term vision and this is a trap that hoteliers must not fall into.

The scope of this study was the travel market of the UK, from where the information was gathered. Nonetheless, most of what has been discussed can be applied to other European city destinations given that COVID-19 affected every country similarly and the shortage of talented staff was also widely noticed. This project is particularly relevant for hotel managers across the UK who want to take a deeper look into the minds of Gen Y and Z and understand how to adapt the hotel offer to their needs and wants.

The optimistic outlook of this work project, had, nevertheless, some limitations. Mainly the lack of primary research from other British cities. Regarding the internship, there might exist some biases resulting from the specific context and location of the hotel in study. Additionally, it would have been more fruitful to have had the time to witness the implementation of the suggested changes to test their effectiveness. Regarding the survey, there is the central tendency bias, where respondents tend to choose the neutral answers when they do not want to form an opinion or want to rush over the survey, resulting in less accurate results. Additionally, even though the number of survey answers was significant, the sample from the international market is essentially represented by Portuguese citizens, with other nationalities being poorly represented. Moreover, some of the questions may have led to participant bias, where respondents answer what they think the researcher is after. Finally, it might be interesting for future studies to evaluate the impact of each generation separately and include other generations to measure how strong are the differences between them.

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Appendix

Glossary

GM – General Manager

PCR – Polymerase Chain Reaction

UK – United Kingdom

VFR – Visiting Friends and Relatives

YTD – Year to Date

WOM – Word of Mouth

Figures

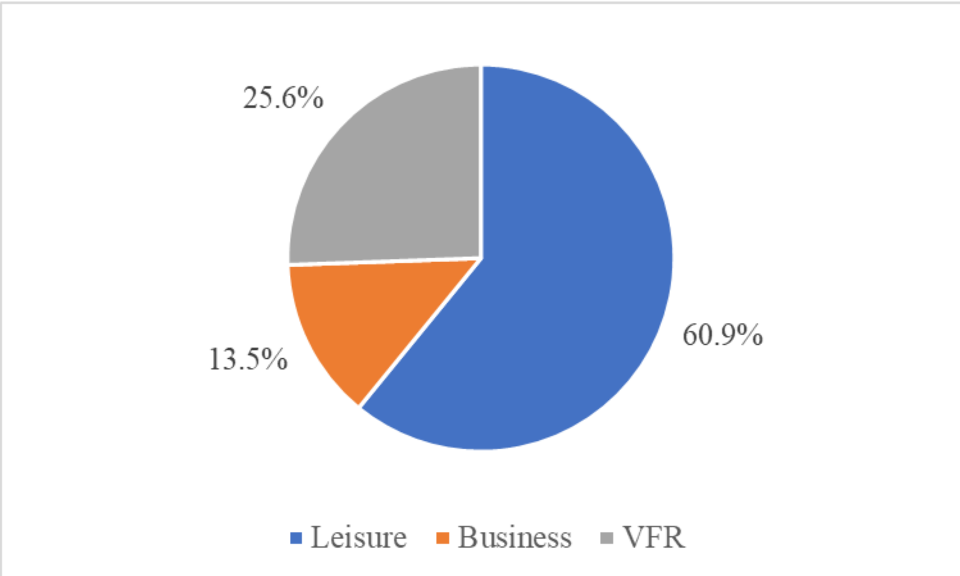

Figure 1: Purpose of previous visits to the UK.

	2019		2018		2017	
	Town/city	**Visits (000s)**	**Town/city**	**Visits (000s)**	**Town/city**	**Visits (000s)**
1	London	21,713	London	21,072	London	21,708
2	Edinburgh	2,206	Edinburgh	2,515	Edinburgh	2,194
3	Manchester	1,661	Manchester	1,548	Manchester	1,432
4	Birmingham	1,112	Birmingham	1,119	Birmingham	1,109
5	Liverpool	845	Glasgow	882	Glasgow	855
6	Glasgow	771	Liverpool	824	Liverpool	836
7	Brighton/Hove	647	Bristol	615	Bristol	604
8	Bristol	636	Oxford	580	Oxford	601
9	Oxford	581	Cambridge	576	Cambridge	572
10	Cambridge	462	Brighton/Hove	478	Brighton/Hove	509

Figure 2: UK's leading travel destinations in 2017, 2018, and 2019. Source: VisitBritain, 2021.

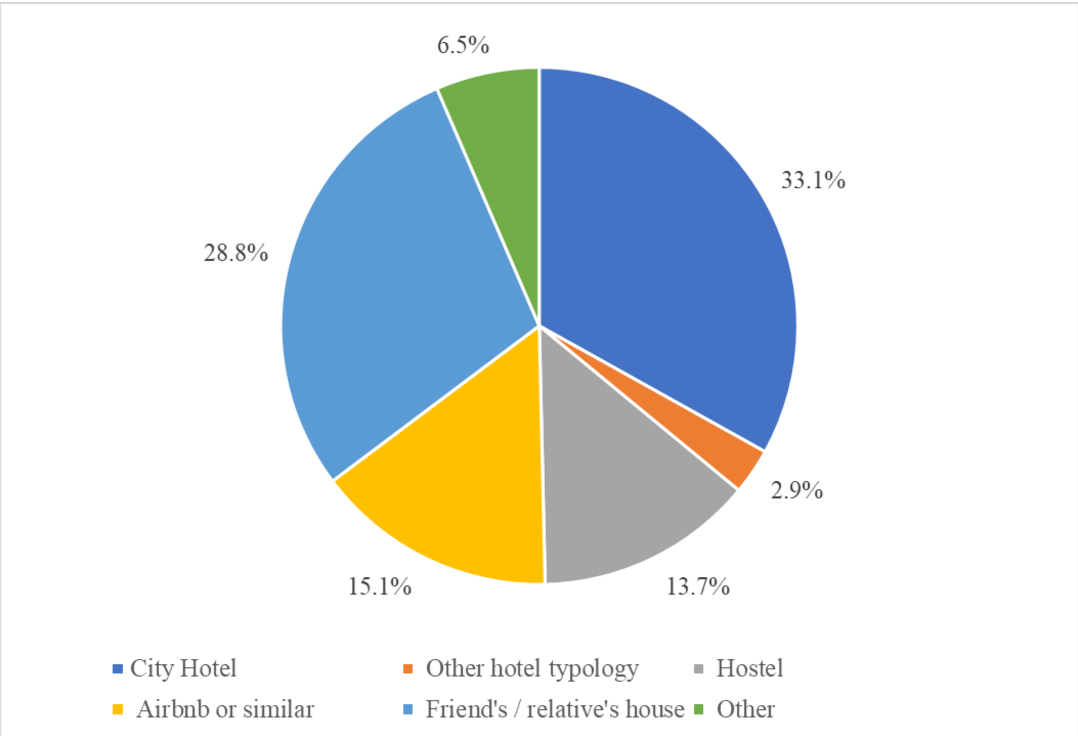

Figure 3: Type of accommodation chosen in previous travels to city destinations.

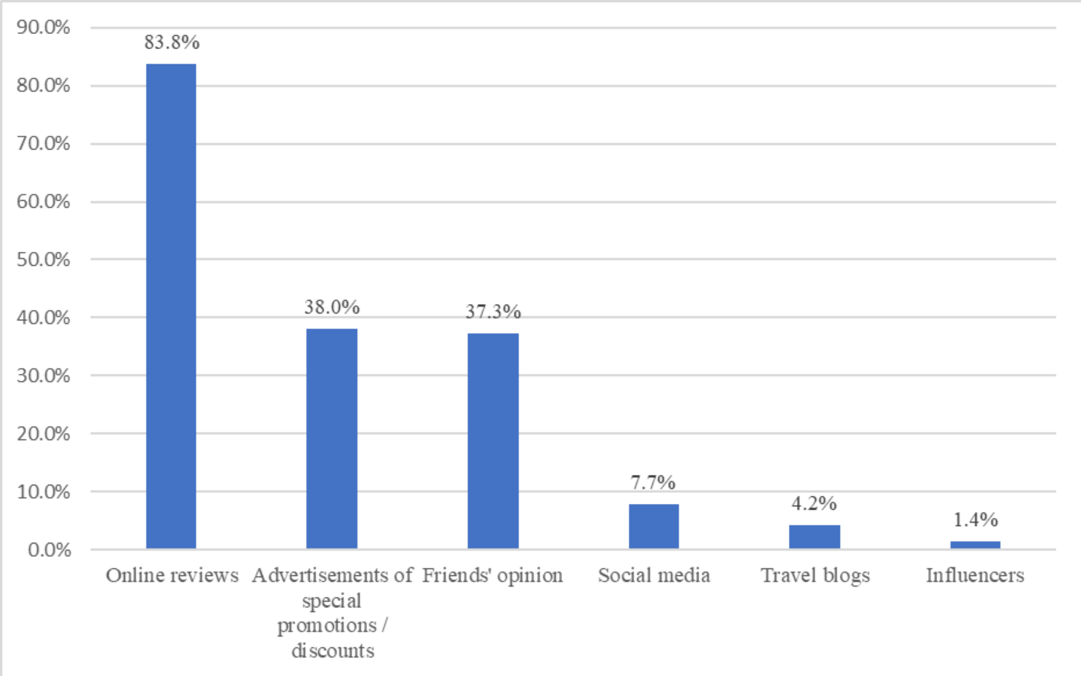

Figure 4: Factors influencing accommodation choice.

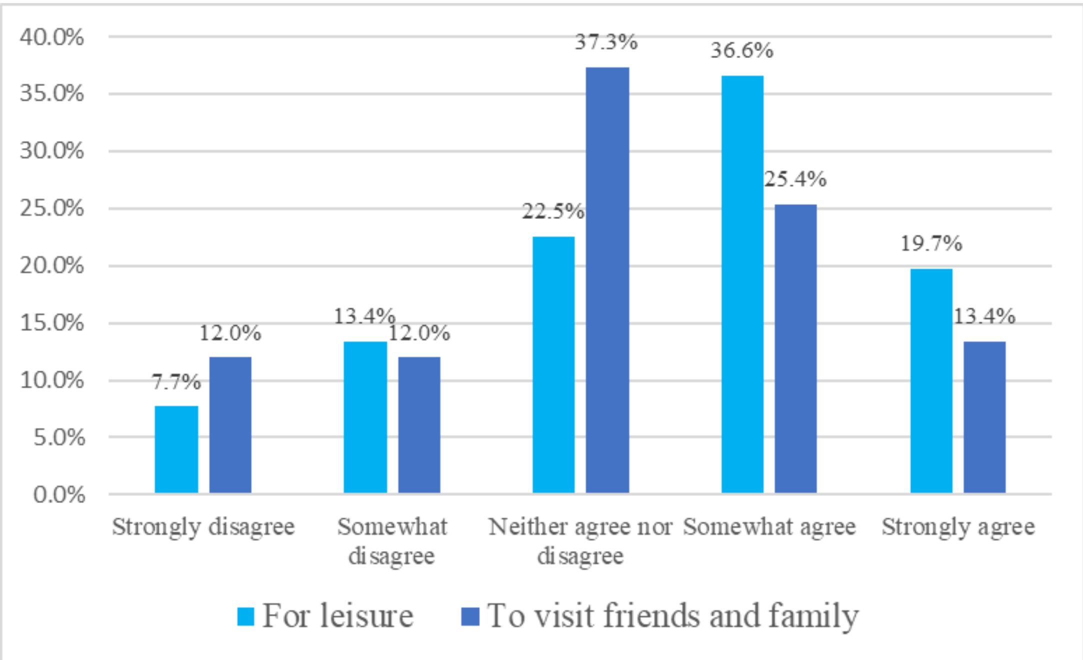

Figure 5: Brexit's impact on people's willingness to travel for leisure and VFR.

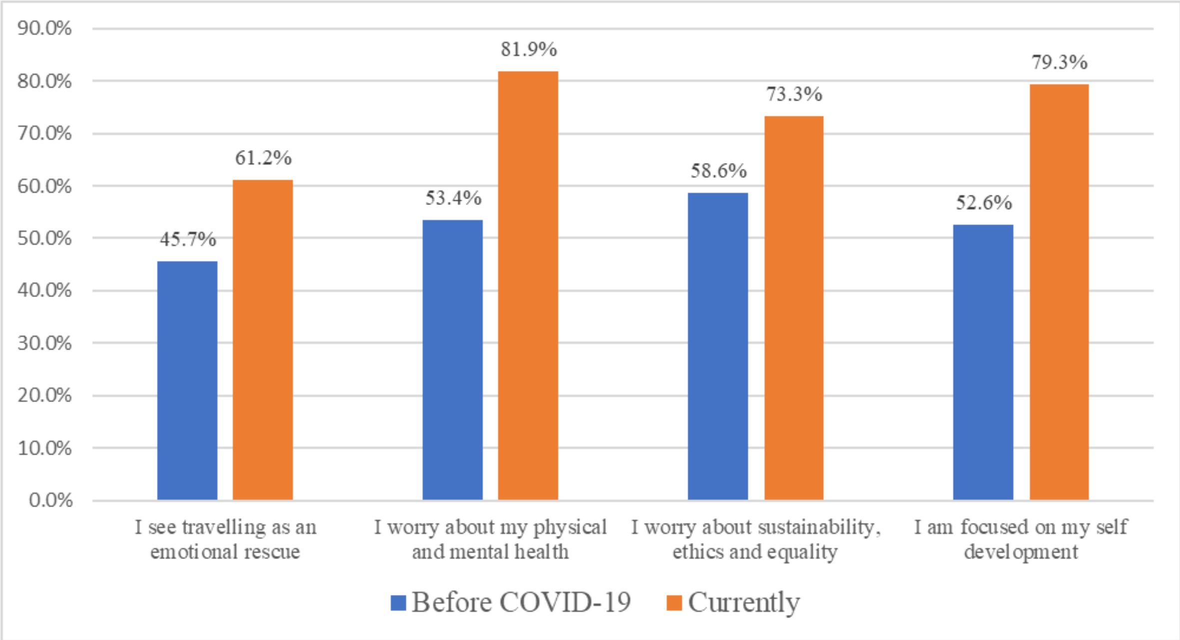

Figure 6: Behavioural changes triggered by COVID-19 (1).

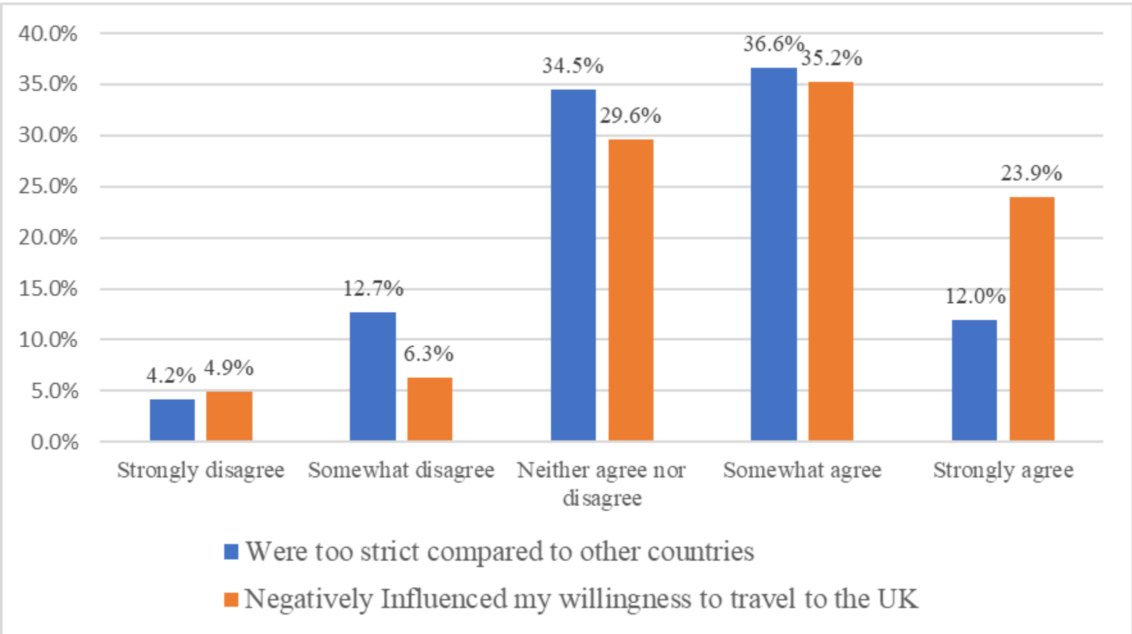

Figure 7: Impact of UK Government travel restrictions.

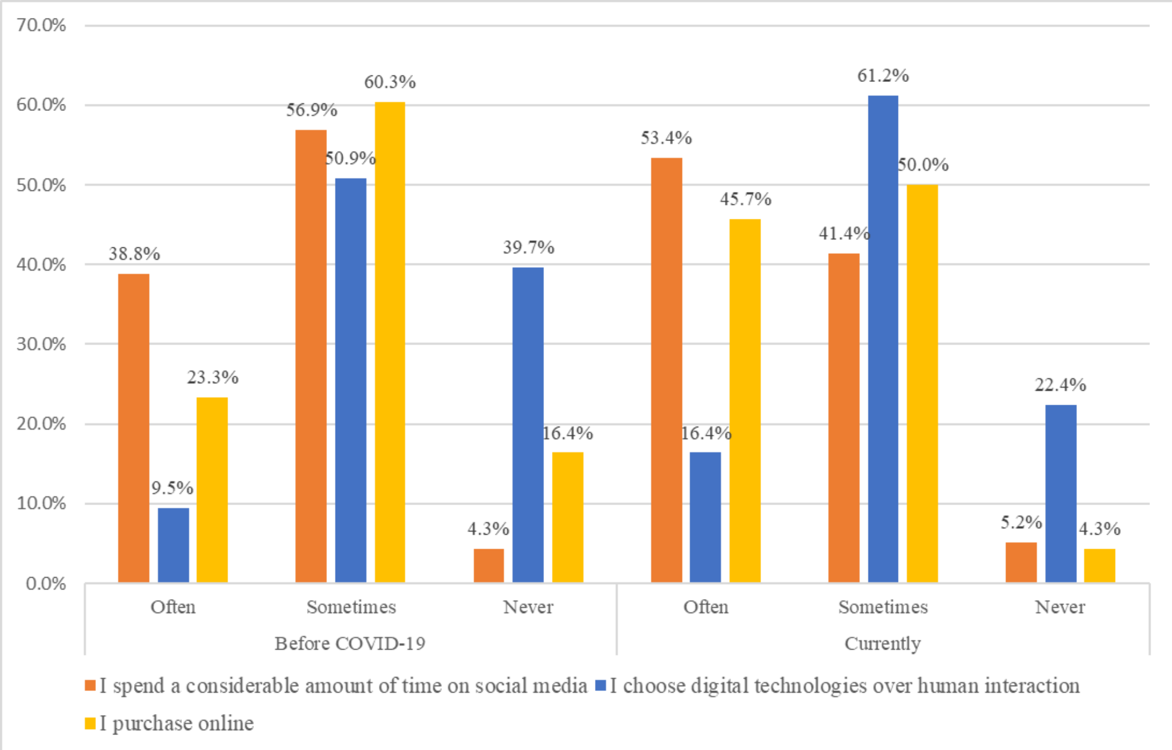

Figure 8: Behavioural changes triggered by COVID-19 (2).

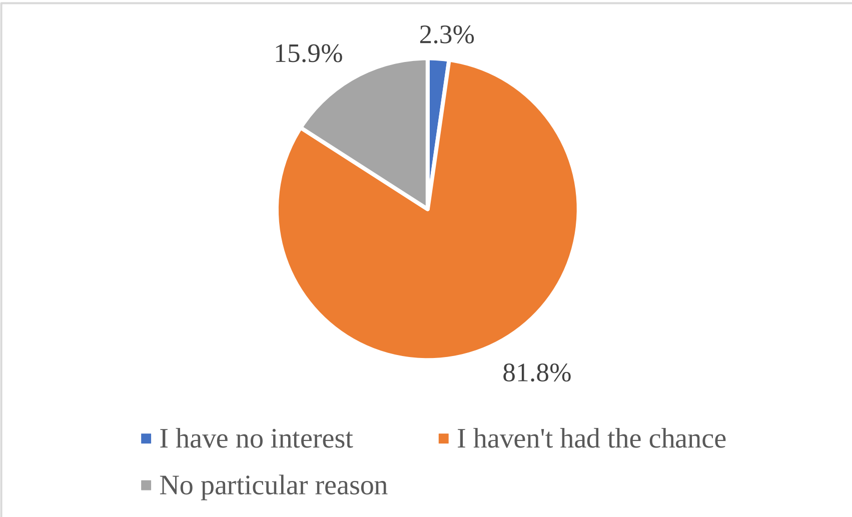

Figure 9: Reasons for not having visited the UK.

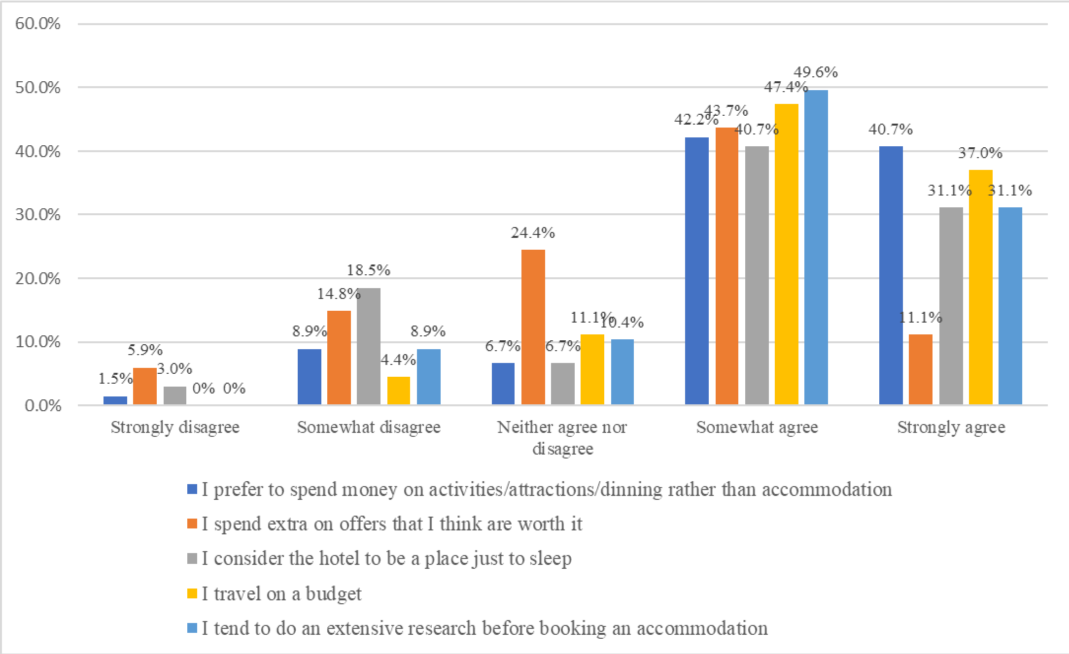

Figure 10: Tendencies when travelling to a city destination.