

# Trends shaping our industry

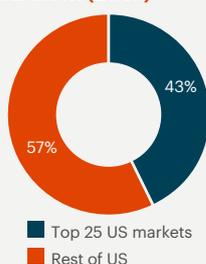
## Case study: Resilience of US midscale segments in downturns

- During periods of weak economic demand, the midscale segments (midscale and upper midscale) have historically proven more resilient than other chain scales, with RevPAR falling less than the overall industry.
- During the Covid-19 pandemic, hotels that remained open were more likely to be in the branded midscale segments, helped by their lower-cost operating model. These hotels could meet demand from those who needed a safe place to stay, including key workers and those travelling on essential business. Hotels in non-urban areas (where the majority of midscale and upper midscale hotels are located) outperformed their urban counterparts, which have a greater reliance on inbound international travel.
- Throughout the year, domestic leisure was the first segment to return. It is likely that large group travel and events will be the last to recover. This should favour midscale/upper midscale hotels, which have lower exposure to groups, meetings and events business.

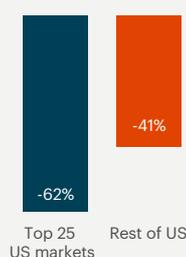
## Midscale segments (midscale and upper midscale) RevPAR vs rest of US industry



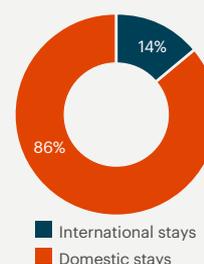
## US industry revenue contribution (2019)



## 2020 US RevPAR



## US guest stays (2019)

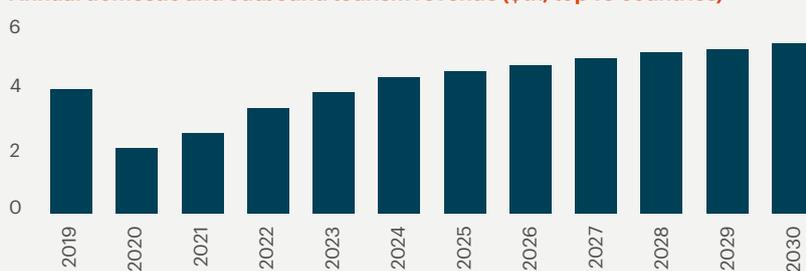


Source: STR Inc., Oxford Economics

## Long-term trends in travel

- Population growth, an emerging middle class and lower cost to travel have meant global travel has consistently grown over 4% per year, save for one-off impacts on demand (e.g. 9/11).
- Covid-19 saw travel largely restricted to domestic markets, with air travel down 60%. According to McKinsey, recovery is likely to be gradual, though could be achieved within five years from virus containment and rebounding economies.

## Annual domestic and outbound tourism revenue (\$tn; top 10 countries)



Source: McKinsey & Company

## Evolving customer expectations

- As the market recovers, customer focus is likely to be needed in areas such as reinforcing guest confidence through higher standards of cleanliness and new operating procedures.
- Technology will continue to be key in driving guest demand to hotels. This includes greater levels of personalisation, digital booking and service delivery, the ability to choose

room attributes and a loyalty programme that provides added value to guests.

- Guests and other stakeholders are paying closer attention to the commitment of companies to operate responsibly. Many businesses, including IHG, have aligned their efforts to the UN Sustainable Development Goals, which range from wiping out poverty to climate action. For further information see pages 20-21 and our Responsible Business Report.

