

# Trends shaping our industry

The pandemic has accelerated a number of pre-existing trends within the hotel industry, including digitalisation and customer centricity, along with greater demand for sustainable branded experiences. In the near term, new factors have also emerged, including managing labour and supply shortages.

**D**uring the pandemic, the nature of hotel stays changed significantly. As guests returned to travel following the lifting of restrictions and reopening of hotels, there was a significant focus on cleanliness, with the industry collaborating with leading experts in this field. The volatile nature of infection rates also saw guests welcome flexible cancellation policies and the extension of loyalty programme status.

As vaccines have rolled out and restrictions eased or lifted, what's become clear is that the pandemic was a 'demand suppression' event for the industry, with travel subsequently bouncing back significantly. This has been quickest in domestic leisure, whilst essential business demand has proven relatively resilient, particularly in extended stay chains and in the economy and midscale categories. Discretionary business travel, group bookings and international trips have also shown encouraging signs of recovery.

Technology and digitalisation continue to play a key role across the entire guest journey. This includes digital booking, greater levels of personalisation and the ability to choose room attributes, and service delivery during a guest stay.

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## Labour and supply chain pressures

Government-mandated hotel closures in 2020 saw many people in hospitality switch careers, and as demand returns, vacancies are at record highs in some markets, with the World Travel & Tourism Council predicting employment in the sector will rise 18% in 2022 to 324 million available jobs. The industry must work together with governments to address these staff shortages, including through facilitating greater labour mobility across borders, shifting to remote working, upskilling the workforce, promoting education and apprenticeships, and creating fair, safe roles.

As markets pivot towards growth, supply chains have also been disrupted. With the lack of available products largely due to input shortages, businesses with complex supply chains are finding things particularly challenging. For hotels, this has led to shortages in key areas, from linen for guest stays to timber for construction projects.

### Our response

- Optimising operating models at hotels to improve efficiency and create savings to help offset higher staff costs
- Working with recruitment agencies to provide trained staff on demand when required
- Provided new hiring resources, deepened relationships with job platforms, and increased awareness of vacancies through social media
- In Australia, our myFlex initiative has given hotel colleagues the flexibility to work across any of our hotels in the country's managed estate, supporting both staffing levels and work-life balance
- Using our IHG® Academy to prepare young people for a career in hospitality, supported by a new virtual learning platform
- Enhancing our global procurement offer, with our teams finding more ways to leverage central purchasing and seek cost-effective solutions for owners. During 2021, IHG procurement delivered a greater than 10% cost reduction on \$1.3bn of spend across IHG's hotel and corporate supply chains spanning 15 countries



See pages 19 to 28, and 39 for more information.

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Six Senses Zighy Bay, Oman

## Sustainability considerations

Guests are paying closer attention to a company's commitment to look after the world around us. A global study commissioned by IHG indicated that more than 80% of consumers noted the importance of choosing a hotel brand that operates responsibly, with guests willing to spend on average 31% more on accommodation that meets this need. Business customers are also increasingly requesting information about sustainable accommodation and meeting options to help make progress against their own targets.

With stakeholders now expecting businesses to operate and grow responsibly, a rapidly growing number of organisations are making external commitments to drive environmental and social change, including joining the UN's Race to Zero by upgrading their carbon emissions targets.

### Our response

- Launching an automated utility data collection tool across all our hotels globally to inform steps to operate sustainably
- Developing our Hotel Energy Reduction Opportunities (HERO) tool, which will be key to helping our hotels target energy and carbon reductions
- Committing to a 1.5°C science-based target (SBT), which puts IHG on a trajectory to achieve net zero by 2050. In addition, we have joined Race to Zero – the UN-endorsed campaign to rally leadership and support from cities, businesses and investors for a greener, more resilient, net zero carbon future
- On track to eliminate single-use miniature bathroom amenities from our hotels during 2022
- Establishing an Environmental Sustainability Committee with the IHG Owners Association, which will collaborate with IHG on energy reduction in hotel operations
- Partnering with suppliers to help ensure they share the same responsible business commitments as we do
- Working with a large number of government and industry stakeholders to help provide support for our owners through policies and incentives, such as green financing

See pages 29 to 35 and 229 to 230 for more information.

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## Demand for branded hotel experiences

Guests are increasingly seeking the reassurance of a high-quality, safe branded stay as the industry recovers from the pandemic. At the same time, independent hotels are recognising the advantages of being attached to a branded system, including lower distribution costs, marketing at scale and a powerful loyalty offer that can drive repeat guest stays.

While many independent hotels remained closed during the pandemic and experienced numerous fixed costs, many branded properties were more able to meet demand from quarantine stays, key workers and a global sales network adept at capturing the return of travel. As such, owners are increasingly looking at conversions to join a branded system with limited changes to their properties, particularly in the upscale and luxury segments.

### Our response

- Continued to strengthen our enterprise with enhancements to our revenue delivery systems, technology offer and operational expertise
- Enriched our loyalty offer with dynamic pricing for Reward nights, with further enhancements in 2022 expected to strengthen member engagement
- Engaging with owners of independent hotels on potential conversions while maintaining brand standards
- Successful launch of upscale conversion brand voco, which has fewer brand requirements, but all the hallmarks of a high-quality and safe guest experience
- Launch of Vignette Collection, which allows owners of high-quality upscale and luxury hotels to maintain the distinct identity of their properties while enjoying the benefits of a branded system
- Giving guests assurance throughout their stays with our IHG® Clean Promise, where high standards of hygiene have been developed with Cleveland Clinic, Ecolab and Diversey

See pages 17 to 22 for more information.