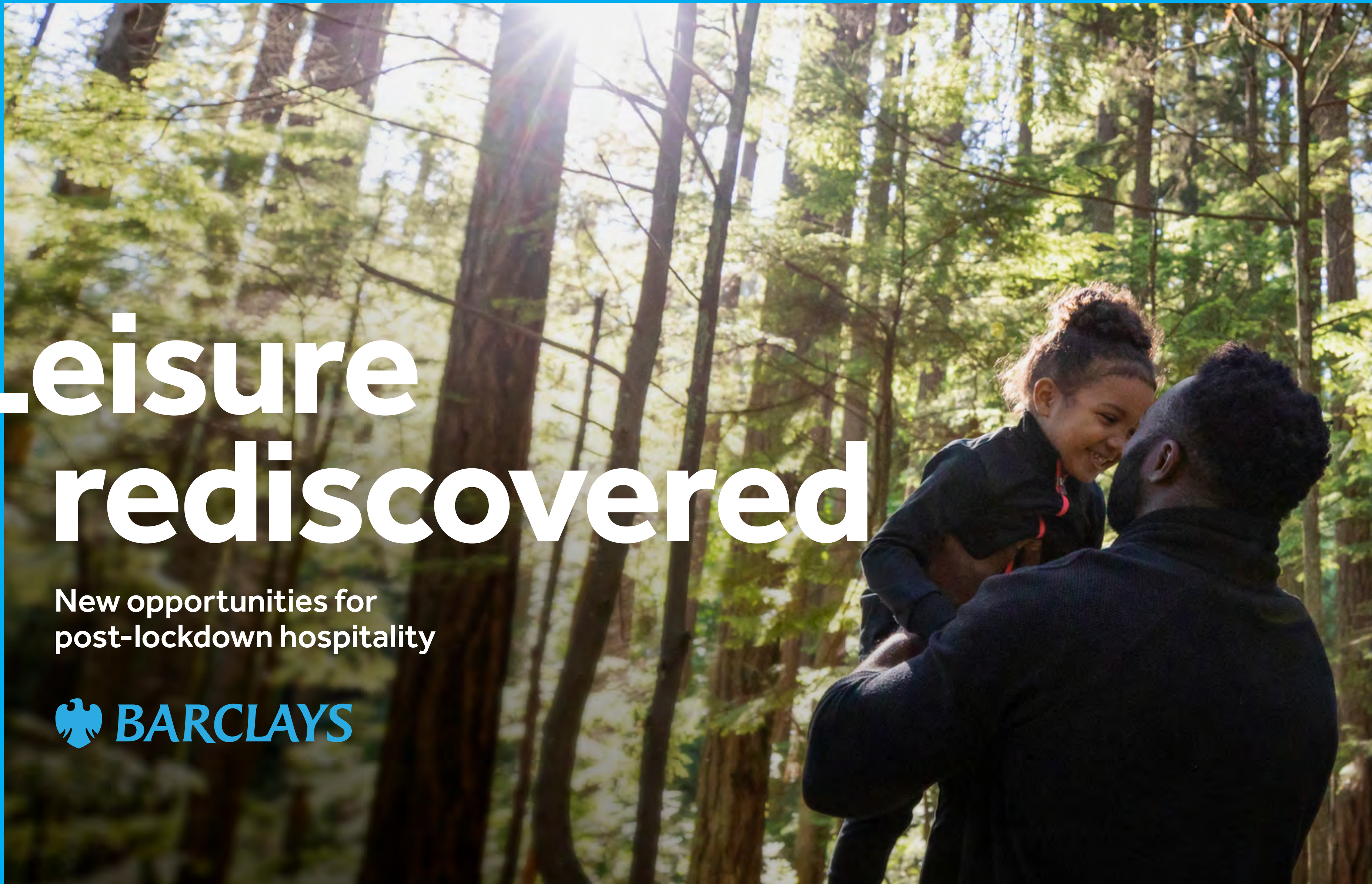
Leisure rediscovered

New opportunities for post-lockdown hospitality



BARCLAYS

Contents

Leisure rediscovered

The shape of leisure may have changed for good

Hospitality and leisure businesses are springing back as their customers explore new experiences and make new choices that are set to endure with the removal of restrictions:

- Pleasure-seekers are flocking back to hospitality and leisure venues: the vast majority of hospitality and leisure businesses (94%) are now confident about their growth prospects this year
- The industry's contribution to GDP could be nearly £3.5bn higher for the post-lockdown easing months of 2021 (April to December) than in the same period in 2019, with London and the West Midlands performing especially well
- The staycation may be here to stay: 45% of consumers are more likely to choose a UK holiday location than before the pandemic
- If that preference continues into next year, it could be worth up to an additional £9.2bn for the domestic tourism market
- Other types of business are also benefiting from a focus on home: 41% of consumers say they are now more drawn to go out for entertainment in their local neighbourhoods
- Businesses have seen new types of customers enjoying their services. For example, almost half of pubs report welcoming more families; 42% of spas are seeing more men come through their doors; and more younger customers are using holiday lets (47%) and holiday parks (40%)
- Significant numbers of consumers are prepared to pay a premium for added-value experiences – equating to £14.5bn extra revenue for healthy food and drink choices, or £13.6bn for food and drink with sustainability credentials
- The delivery boom has not subsided since the pandemic, with four in 10 businesses reporting continued popularity of home delivery and click-and-collect services
- As a result, tech is a firmly rooted part of the sector's proposition: 36% of businesses are earning more from ecommerce than ever
- Holiday parks have done especially well since the pandemic with more than half of operators now planning to open new sites.

The new pleasure principles

The sector is reshaping around customers' evolving tastes

The hospitality and leisure sector has got its confidence back. This is no surprise. Businesses were always upbeat about their prospects by this point. In our Ready to Go Again report last year, despite the dire picture of Covid-related closures at that time, 98% of operators were positive about growth prospects for the summer of 2021 – and they have been proved right.

It has been a fraught period of limbo but businesses have used the time wisely, adapting their business models and reshaping their offerings. Since restrictions began to lift in April, customers have returned with a clear desire to make up for lost time. Operators have told us their revenue has jumped by an average of more than 25% over 2019 levels, and that increase is predicted to rise to one third over the remainder of 2021.

This resurgence is critical not just for the industry but for the UK economy as a whole. A vibrant hospitality and leisure sector will be one of the critical foundations for bringing footfall back to urban centres, for example.

More widely, the mass return to leisure was a huge contributor to the rise of 4.8% in GDP in Q2 of 2021.[1] Household spending increased by 15.4% in the year to August, according to Barclaycard, fuelled by spending on domestic holidays, leisure, food and drink.[2] Our modelling for this report suggests the increase in economic output from the sector in April-December 2021 will be almost £3.5bn over the same period in 2019.

Ready to grow again

26%

Average increase in H&L revenue since pandemic restrictions were lifted, compared with same period of 2019

34%

Predicted revenue increase for April-December 2021, compared with same period in 2019

£3.48bn

Expected GVA increase, April-December 2021, compared with same period in 2019

"The distortion of market choice inflicted by the pandemic was the trigger for changes, but those who enjoy these new experiences could provide an expanded customer base in the longer term."

Shifting preferences

Our survey also reveals new patterns in the way people are using hospitality and leisure services. In line with rising consumer confidence and a build-up of many households' savings over the pandemic, there is a growth market for premium experiences, from luxury glamping holidays to gourmet tasting menus. Holiday parks and lets, hotels, bars and spas are all capitalising on this. At the other end of the market, affordable holidays and leisure pursuits are a priority for many consumers, reflecting the tough 18 months many have faced.

Consumers report that their habits have changed. More plan to take staycations in future (45%) and to eat, drink and exercise in local neighbourhood venues (41%). While the trigger for these changes was the distortion of market choice inflicted by the pandemic, those who enjoy these new experiences could provide an expanded customer base in the longer term.

Operators have remarked on other new trends in customer behaviour. For example, younger customers who might generally have travelled abroad have been taking up domestic holiday lets – 47% of owners have noticed an increase in bookings from this age group – or enjoying holiday park breaks (40%); while families are flocking to pubs (47%) and bars (42%). The challenge for businesses is to impress and retain these new customers, even as their options expand again.

Economic impact of the April-December 2021 leisure bounce-back (compared with same period 2019)

	GVA increase (£m)
Hotels, etc.	839
Short stay accommodation	101
Campgrounds and Caravan parks	148
Other accommodation	24
Restaurants and food outlets	1,052
Pubs and bars	761
Gyms and other sports activity centres	361
Other recreational activities	197
Total	3,484

Unsurprisingly, many consumers are expressing strong preferences for services that are safe and healthy. There are also significant numbers, again chiefly among younger groups, who are keen to find experiences that offer health and wellbeing benefits, or have a strong element of sustainability. Our modelling indicates significant returns for operators that can fulfil these preferences.

New habits

We have also found evidence that trends embraced during the pandemic, such as home delivery and click-and-collect services, seem set to become permanent fixtures. Digitisation is reaping rewards, with 36% of operators we surveyed experiencing higher ecommerce sales than ever. A similar proportion are investing more in data capture and personalised marketing. By getting closer to their customers, these businesses are well placed to operate more efficiently and effectively.

Collaboration is one of the big success stories of the pandemic. 88% of operators are now joining forces with their local peers more often to offer joint deals. This generates the local 'multiplier' effect, where an operator becomes the provider of different experiences for a tourist for the duration of their stay.

Our findings should give heart to a sector already buoyed by surging revenues. Businesses that tweak their propositions to delight and excite customers, based on the new trends revealed in their sub-sectors, can generate long-term benefits from these exceptional times.

Mike Saul
Head of Hospitality and Leisure,
Barclays Corporate Banking

About the research

Surveys were carried out in late July and early August. We questioned:

- 524 senior managers in hospitality and leisure businesses with 10 or more employees
- 2,008 adults across the UK.

For economic modelling purposes, the findings have been combined with Office for National Statistics data, including the Annual Business Survey and the Business Register and Employment Survey.

Because of widespread sector closures in the sector in 2020, comparisons for current and future years use 2019 data as a baseline.

In estimating the potential value for future UK holiday expenditure, the findings from the consumer survey have been combined with baseline year data, using an assumption that more trips of the main holiday type will be taken in future, with an increase.

State of the sector

Businesses are looking beyond recovery to reinvention

Overwhelming confidence in the future is the sentiment among the 524 leaders of hospitality and leisure businesses questioned for our survey. 94% have confidence about business growth this year, and one third are very confident.

Gym and leisure centre managers are most likely to be very confident (45%), with cafés and spas/wellness retreats (both 42%) also especially positive. Most wary about the future are hotel owners, 16% of whom describe themselves as "not too confident", with 11% of pubs and one in 10 spas also lacking confidence.

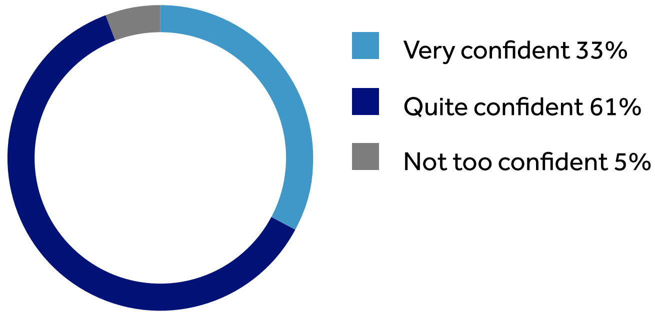
Geographically, the most upbeat mood is in London (98% confidence) and the West Midlands (97%), while 100% of businesses questioned in the South West expressed confidence, albeit based on a smaller sample.

Revenues soar...
This sentiment is founded on an upswell in revenues since lockdown restrictions began to lift. On average, operators estimate their revenue from that point has risen by 25.7% over 2019 levels. By the end of 2021, they expect that figure to have hit 33.6%. According to our economic modelling, this represents a potential £15.4bn boost across the sector.

Operators in the East Midlands (49%) and the North East (47%) have seen especially large revenue hikes. London's increase was biggest in terms of sheer value, amounting to £2.28bn, or 29% of the total gain.

The only regions reporting falls in revenue over 2019 were the East of England (-12%) and Yorkshire and the Humber (-6%), though in the latter case businesses expect to hit the average national rate of around 33% by the year-end.

Confidence in business growth



"Tech upgrades have paid off: 36% of businesses say they are now earning more than ever through ecommerce."

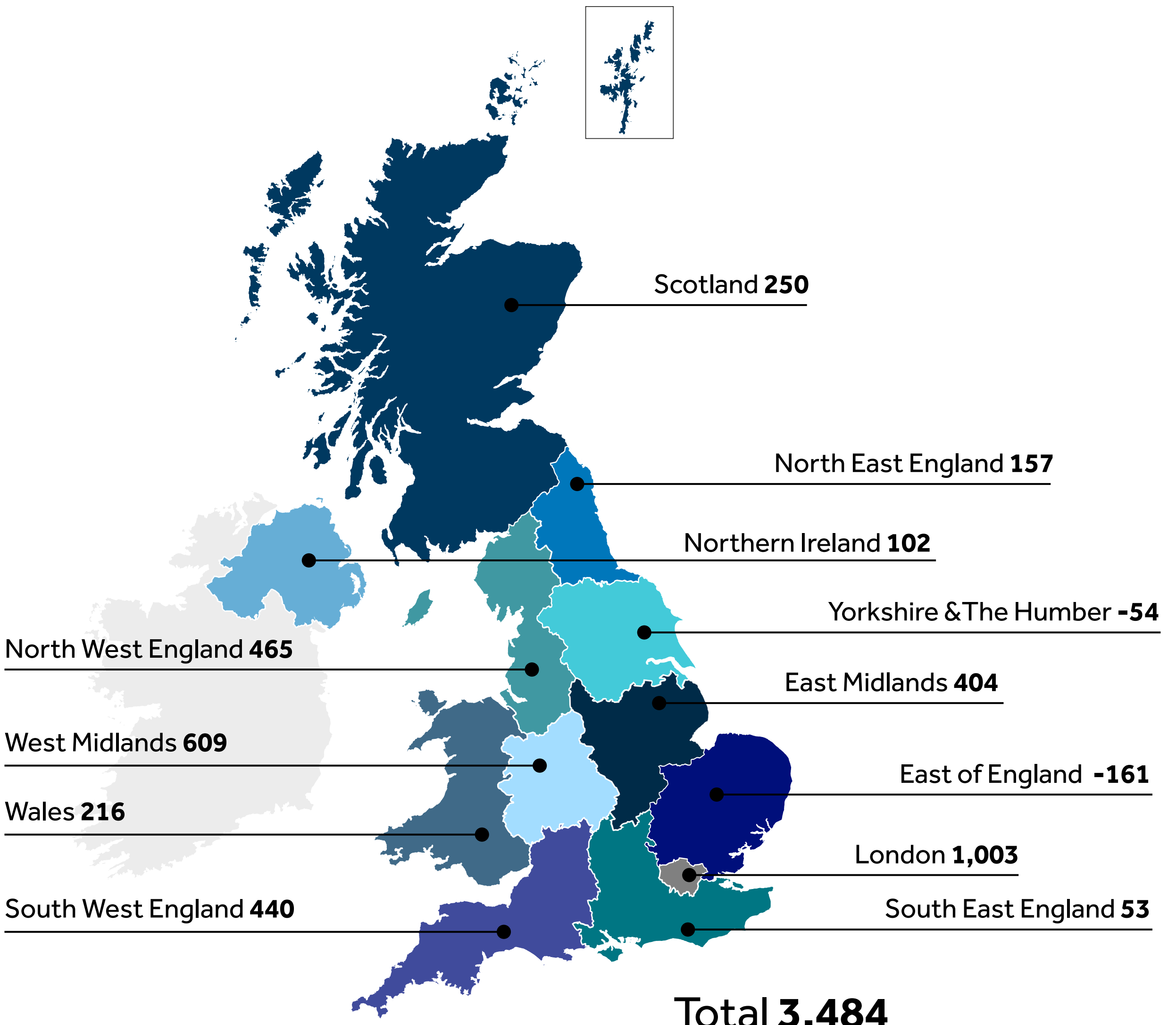
Sectors performing especially well in revenue terms include holiday parks, which predict a 55% increase by December, as well as restaurants (50%) and nightclubs (47%). The food services sector, including restaurants, will be the biggest winner in value terms, accounting for well over one third (37%) of the £15.4bn gains, with pubs and bars accounting for over one fifth (22%).

For gyms and spas, recovery was slower, but by the year-end they still predict significant rises of 18% over 2019 levels for spas and wellness centres, and 24% for gyms and leisure centres. This is borne out by reports of a widespread surge in gym memberships to pre-pandemic levels by autumn, with many operators seeking extra premises due to demand, and PureGym exploring IPO options.[3]

...but so do costs

Of course, business costs have risen alongside revenues. We estimate the increase in operating costs to date over 2019 levels to be £8.86bn. This is partly explained by the removal of pandemic-related cost reliefs such as renegotiated rents and VAT cuts as well as staff losses during closures. Almost 40% of the cost-rise is accounted for by restaurants and other food outlets.

Economic impact of the April–December 2021 leisure bounce-back (£m)*



*compared with the same period in 2019

Recruitment is almost certainly the biggest element of this increase. Given shortages in staff, with more than 100,000 vacancies in the April to June period, wage rises are likely.[4] The net impact of this, together with the increasing cost of food, new rents and rates rebalancing, will take some time to settle.

Powering the economy

The scale of these changes underlines the sector's value to the wider economy. The overall increase in economic output for the eight-month period from mid-April, compared with the same period in 2019, is estimated at £3.5bn.

Almost £3 in every £10 of this additional GVA is being generated in London. The West Midlands accounts for nearly 18% of the extra growth. Other significant contributors are the North West (13.3%), the South West (12.6%) and the East Midlands (11.6%).

Platforms for success

Ready to Go Again noted that more than one fifth (22%) of hospitality and leisure businesses were responding to the restrictions by upgrading their websites to boost digital sales, while almost as many (17%) were introducing customer apps. This appears to have paid off: 36% of businesses say they are now earning more than ever through ecommerce.

Smaller businesses have seen particular acceleration in app bookings – 44% of firms with 10 to 49 employees say apps are bringing in more bookings than ever, compared with an average of 33%. The largest operators, on the other hand, are the ones investing most in data capture and personalised marketing: 43% of companies with more than 500 employees are focusing on this area.

The enforced pace of digital adoption has not been kind to all: a quarter of businesses (25%) say it has made their lives harder. However, over one third (34%) take the opposite view, with nightclubs (52%), bars (44%) and gyms (41%) especially likely to say that the pandemic's acceleration of tech has changed their lives for the better.

Deliveries and deals

There are other significant remnants of the pandemic restrictions. Over two-fifths (42%) of businesses say that home delivery is still popular, and a similar number (40%) continue to see notable take-up of click-and-collect services. The recent decision by the Wendy's burger chain to open a network of 'dark kitchens' to serve the home-delivery market is one example of operators' confidence in the future of this model[5]

Another enduring trend is the habit of joining forces with other businesses. A striking 88% of operators are now offering joint deals more often than they did in 2019, led by holiday and caravan parks (95% and 100% respectively), nightclubs (96%), and spas and wellness centres (90%).

Premium experiences

One effect of the pandemic is a somewhat polarised approach to the quality of experiences consumers are seeking. Household spend increased by 15.4% in the year to August, while leisure spending made the August bank holiday the biggest burst of consumer activity since Christmas 2019, Barclaycard data shows.[6] However, while large parts of the consumer base amassed significant household savings during the pandemic, others continue to feel the pinch as the final furlough support is lifted.

Many operators have found their customers keen to splash out on premium experiences. Recent openings demonstrate operators' confidence that this market will broaden further. The new Londoner Hotel in Leicester Square, for instance, offers luxury at every level, its eight-storey tower matched by eight underground floors that include a ballroom and swimming-pool.[7]

In Newcastle, the Malhotra Group has won approval for a premium health club, hotel and retail complex in listed buildings on a premium city-centre site.[8] And Manchester is the first site for a planned chain of high-end gym and wellbeing centres, GSquared, featuring infrared saunas and soundproof sleep pods.[9]

The taste for luxury is a trend noticed particularly by holiday parks (55%), hotels (51%), bars (49%), spas (46%) and holiday lets/B&Bs (45%). At the other end of the market, affordability takes precedence, a trend especially noted by the owners of caravan parks (46%) and pubs (44%). While holiday lets, for example, are able to specialise, most businesses need to be adaptable enough to offer great experiences at both extremes of the market.

The position today reflects the agility and resilience of the sector. Almost half of businesses say they are now well prepared for another lockdown, while a similar number calculate they would be able to stay afloat. Only a handful (3%) believe they would be unable to survive.

Through collaboration, improving technological capabilities, and offering services in new and imaginative ways, the sector is rapidly reshaping itself for whatever the future brings.

Barclays perspective

Our survey strongly suggests that home delivery and click-and-collect options are lockdown habits that have stuck for the longer term. Operators that are able to invest in tech are well positioned to take advantage of this. Notably, many are now investing more in data capture and personalised marketing, with two-fifths of pubs, bars, hotels and holiday parks focusing on this area to get even closer to their customers.

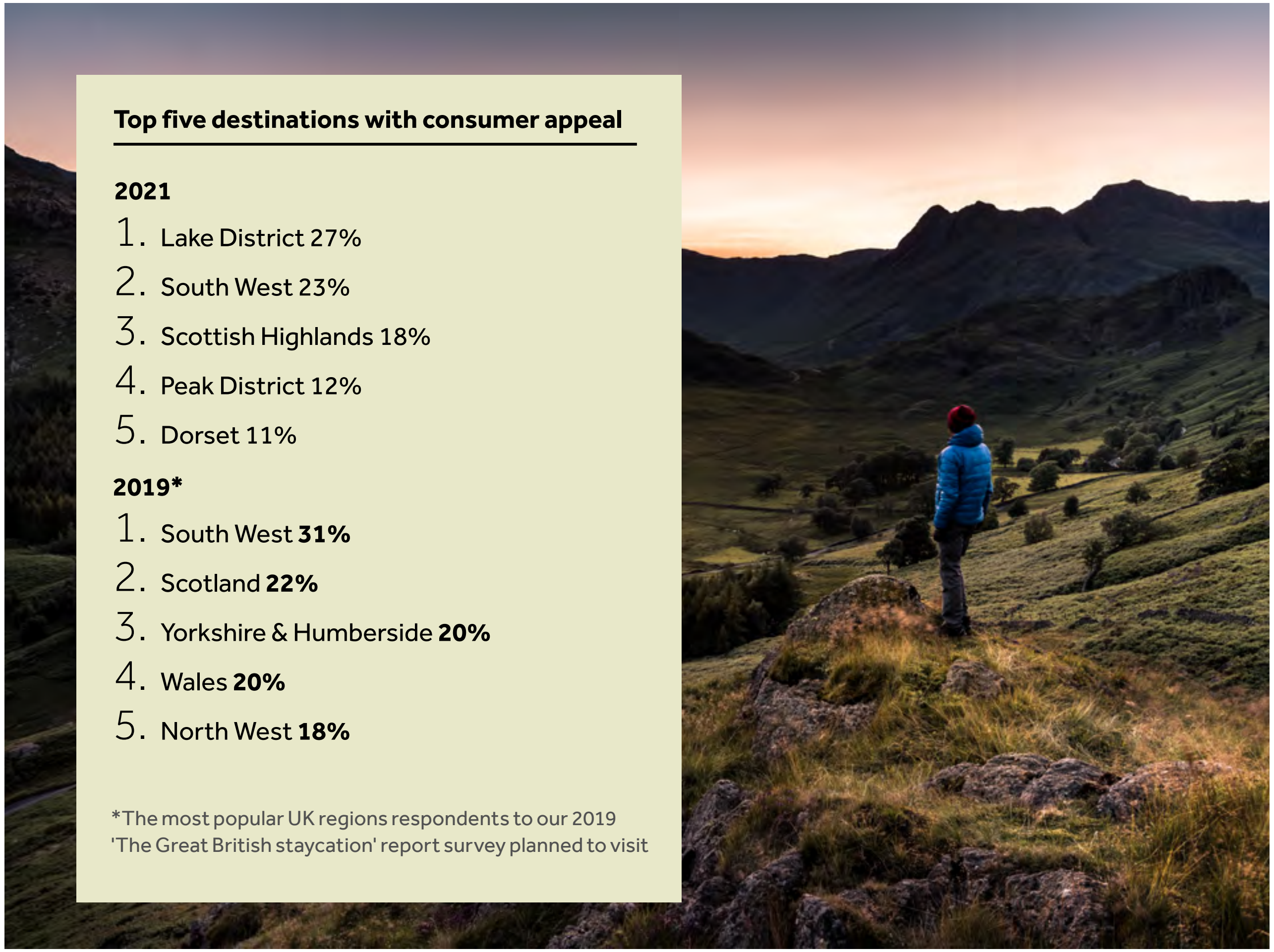
The lure of local

Domestic tourism and neighbourhood outlets are welcoming unfamiliar faces

UK holidays may have been the only practical option for much of summer 2021, but the experience has put staycations front of mind for many consumers. 45% of the 2,008 adults we surveyed say they are now more likely to go on holiday in the UK.

Less than one fifth (19%) of people surveyed are now more likely to go on holiday abroad, while the remaining 36% say their holiday preference has not been changed by the pandemic. While the bias towards more domestic holidays skews slightly towards older holidaymakers – 48% of over-45s express this intention – it is the most common response across all age groups. It is also more common among women (48%) than men (41%).

"Beyond the traditional favourites, consumers cite a broad range of preferred holiday locations, from the Peak District to the North Wales coast."



Top five destinations with consumer appeal

2021

1. Lake District 27%
2. South West 23%
3. Scottish Highlands 18%
4. Peak District 12%
5. Dorset 11%

2019*

1. South West **31%**
2. Scotland **22%**
3. Yorkshire & Humberside **20%**
4. Wales **20%**
5. North West **18%**

*The most popular UK regions respondents to our 2019 'The Great British staycation' report survey planned to visit

Section 2

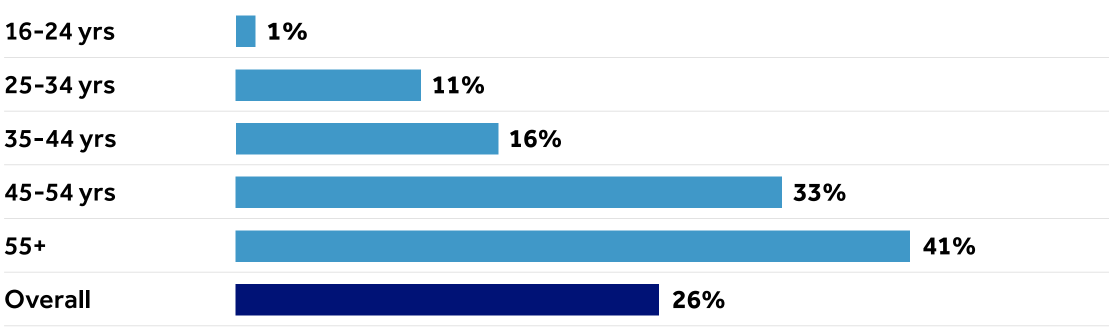
Even starker differences are revealed by studying the net change among those whose preference has switched, whether towards UK or overseas trips. Women (32%) are much more likely to have changed their preference to UK holidays than men (20%), and over-55s (41%) are more likely still. The overall net tilt towards domestic holidays is 26%.

Desirable destinations

The Lake District, cited by 27%, South West England (23%) and the Scottish Highlands (18%) are the three clear winners when it comes to preferred UK destinations. The Lakes are the most popular choice in every age group except the over-55s, who favour the South West more. 22% of the 16-to-24 age group choose the Lakes but almost as many (19%) pick London.

Beyond the traditional favourites, however, consumers cite a broad range of preferred locations, with significant support for the Peak District, Dorset, the Isle of Wight, the Cotswolds, South Wales, Edinburgh and the North Wales coast, among other areas.

Percentage increase in consumers planning to holiday in the UK*



*Visual shows net figures, i.e. the proportion of respondents who answered that, compared with pre-pandemic times, they are now more likely to holiday within the UK, minus those who said that they are now more likely to holiday abroad.

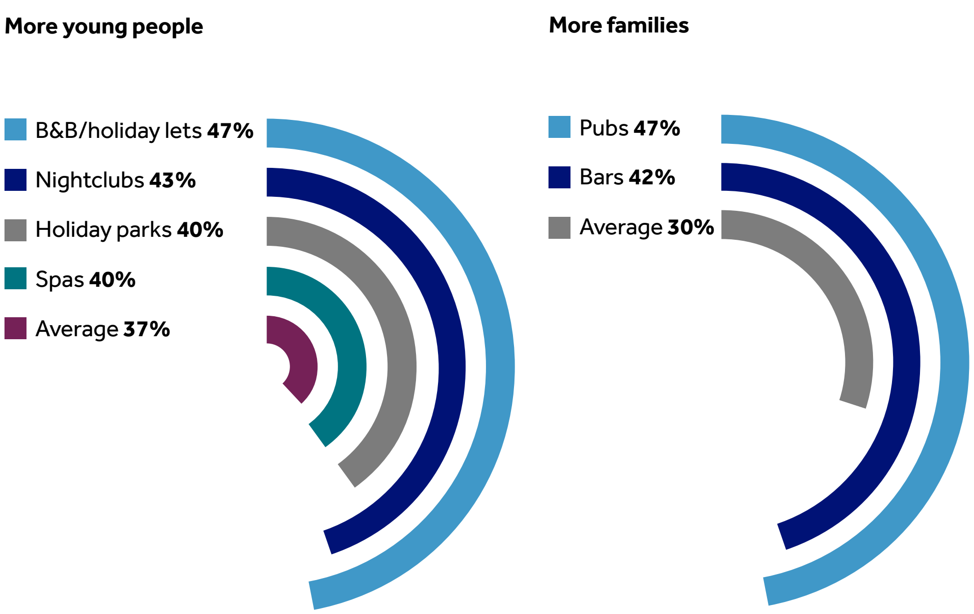
This chimes with the findings of our [Great British Staycation report of 2019], which suggested a broad sweep of favoured destinations, with businesses in the North East and the Midlands reporting the biggest rises in visitor numbers. Even then, we found that more than half of 25-to-24-year-olds (52%) planned to increase their UK-based holiday time, suggesting that the pandemic has accelerated an existing intention.

The range of desirable destinations raises the prospect of welcome new revenue streams for the UK-wide holiday industry, if consumers' current preferences for more staycations were to be sustained and become a habit.

£9.2bn reward
For local economies, the effect could be significant. Using economic modelling, we have quantified the potential value of such a shift. In 2019 there were 126.6 million total overnight visits by UK residents. Based on the 26% net change in consumer preferences, this figure could increase by an additional 32.9 million trips.

Total holiday expenditure, which stood at £25.3bn in 2019, could then plausibly rise by up to £9.2bn. While this figure includes all tourist spending, including transport and shopping, it still represents a big gain for hospitality and leisure providers.

Changes in customer base since hospitality reopened



> *"Tourism is not the only potential source of new income – people have also been encouraged to make more use of local entertainment in their own neighbourhoods than before."*

Let's stay local

Tourism is not the only potential source of new income to arise from the pandemic experience. People have also been encouraged to make more use of local entertainment in their own neighbourhoods than before.

Asked about their choice of pub, bar, nightclub, restaurant or café, 41% now see more appeal in eating and drinking in their local areas, while a similar proportion say their preference is unchanged compared with pre-pandemic times. The lure of local is strongest in the North West (45%), Scotland (45%), the North East (44%) and Wales (44%).

Operators have noted this trend, with 32% reporting a rise in customers local to the area since the reopening of hospitality. Other shifts in customer base have become obvious too. Holiday lets (47%) have welcomed more younger customers, for example; 47% of pubs and 42% of bars have seen an increase in families through their doors over pre-pandemic times; and 42% of spas and wellness retreats say they now attract more male customers.

Providers across the industry can capitalise on the willingness of customers to try new experiences by adapting their offering to keep these new demographics coming back for more.

Barclays perspective

The agility acquired by operators during the pandemic will serve them well beyond it. Businesses' new resilience around use of outdoor space and a flexible response to the weather, for example, could help to extend the tourism season beyond previous limits. And the increased collaboration among local providers, noted in the last section, will help ensure the benefits are spread to the widest possible range of enterprises.

Extras and must-haves

Safety, wellbeing and sustainability all draw a premium

In the aftermath of a pandemic, health is naturally high in the minds of the population. While a commitment to rigorous health and safety has become the norm, significant numbers feel so strongly that they are willing to pay extra for the knowledge that their leisure providers are adhering to strong hygiene standards.

Customers would pay an extra 20%, on average, to eat and drink in venues with this kind of guarantee, according to our survey.
The 16-to-24 age group are particularly concerned and would pay an average of 39% extra, while those aged 25 to 35 would pay 33% more. A willingness to link hygiene standards to price declines with age: the over-55s would pay 8.4% more.

"While rigorous health and safety has become the norm, significant numbers feel so strongly that they are willing to pay extra for reassurance of strong hygiene standards."

A similar picture emerges in holiday choices, where nearly one quarter of consumers (24%) place a high value on good safety and hygiene standards in their accommodation. While 38% would not pay more for this kind of reassurance, many feel strongly enough to do so. The average premium is 20%. Again, there is a striking difference between the youngest adults, who would be willing to pay most (41%), and the over-55s, who would pay 9% more on average.

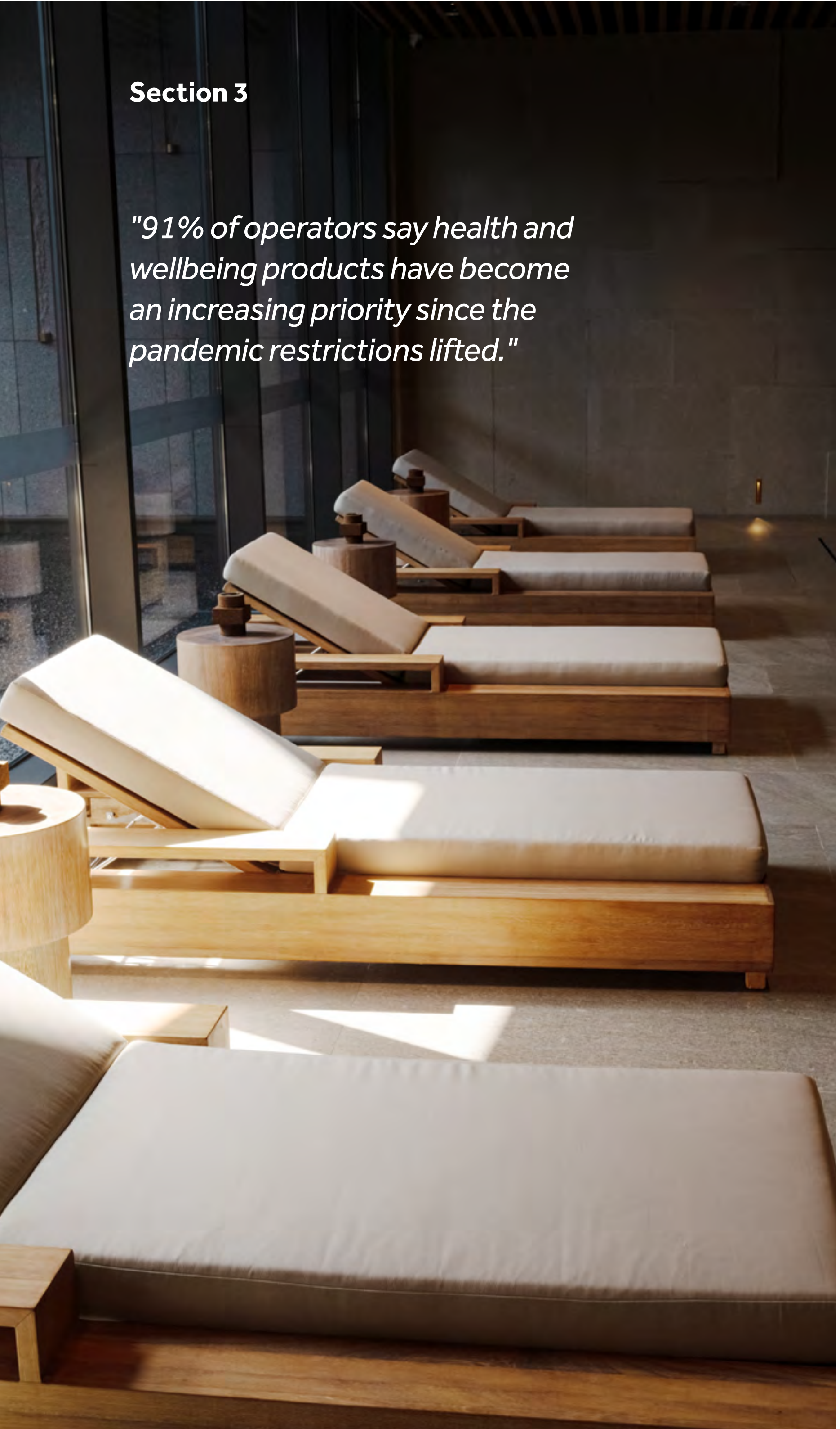
By meeting these customers' expectations, the food sector stands to gain an additional £15.2bn annually, while accommodation providers could reap a bonus of almost £6bn.

Health matters

The appeal of healthy leisure experiences goes well beyond infection control. Healthy living choices, already on the increase in the UK before Covid-19 struck, have been further boosted as lockdown enabled people to reflect on their lifestyles and their physical and mental health. Our recent report, The Wellness Imperative, revealed a potential £21.1bn revenue boost by 2023 for leisure providers able to incorporate wellness into their offerings.

Potential extra revenues from providing enhanced options

	Average increase	Food and drink: potential additional revenues (£m)	Accommodation: potential extra revenues (£m)
Healthier options	**20%**	**£14,543**	**£5,228**
Strong sustainability credentials	**18%**	**£13,594**	**£5,581**
Strong safety/hygiene standards	**20%**	**£15,152**	**£5,982**



"91% of operators say health and wellbeing products have become an increasing priority since the pandemic restrictions lifted."

Our new research provides confirmation of this, with consumers prepared to pay 19.9% extra on average for healthier food and drink options, and 17.8% for holiday accommodation that includes health and wellbeing services such as a gym or spa.

As with safety and hygiene provision, it is the youngest consumers who are more motivated to pay a premium. The total potential premium would mean £14.5bn for food and drink providers, and £5.2bn for accommodation services.

Operators are acutely aware of this trend. 91% say health and wellbeing products have become an increasing priority since the pandemic restrictions lifted. And almost three-quarters (73%) agree that the ESG acronym, standing for environmental, social and governance activity, should have an 'H' appended to recognise the equivalent importance of health in the sector.

Sustainable experiences

Environmental impact is slightly lower on the agenda for operators than health and wellbeing – 76% rate sustainability as an increasing business priority. But it remains high in the minds of younger consumers, in particular.

Barclays perspective

This part of our survey highlights wide demographic variation in the features that influence consumers' leisure choices. A thorough knowledge of the make-up and preferences of their customer base will enable operators to take fuller advantage of this.

While eating out or drinking, those aged 16 to 24 would be prepared to pay a premium of 35%, on average, for products with strong sustainability credentials. The average premium for 25-to-35-year-olds is 30%. A sustainable holiday experience is worth 39% more to the youngest group, and 32% for 25s-to-35s. The potential extra value attached to these preferences is £13.6bn for food and drink services and £5.6bn for accommodation providers.

As with health and hygiene, the willingness to pay more declines as consumers age. However, capturing repeat business from sustainability-conscious young audiences will repay operators as this demographic gains in affluence.

Changing places

The pandemic has triggered a complex property picture

The changes in lifestyle triggered by the pandemic restrictions have prompted businesses of all kinds to rethink their estate. The property decisions of leisure and hospitality providers will be key to the continued vibrancy of the UK's urban scene and local neighbourhoods.

With home working increasingly the norm, sandwich and coffee outlets such as Pret a Manger became a symbol of concern over the future viability of city centres. In practice, the picture is more complex.

Pret itself has responded recently by tweaking its business model: it announced plans to open around 100 franchised stores, as well as more of its own outlets, largely in regional towns.[10] And our survey suggests that alongside tactical retreats from certain sites, many businesses are planning to expand their physical networks.

46%

of businesses are planning to expand city centre locations

while

42%

plan to reduce city centre locations

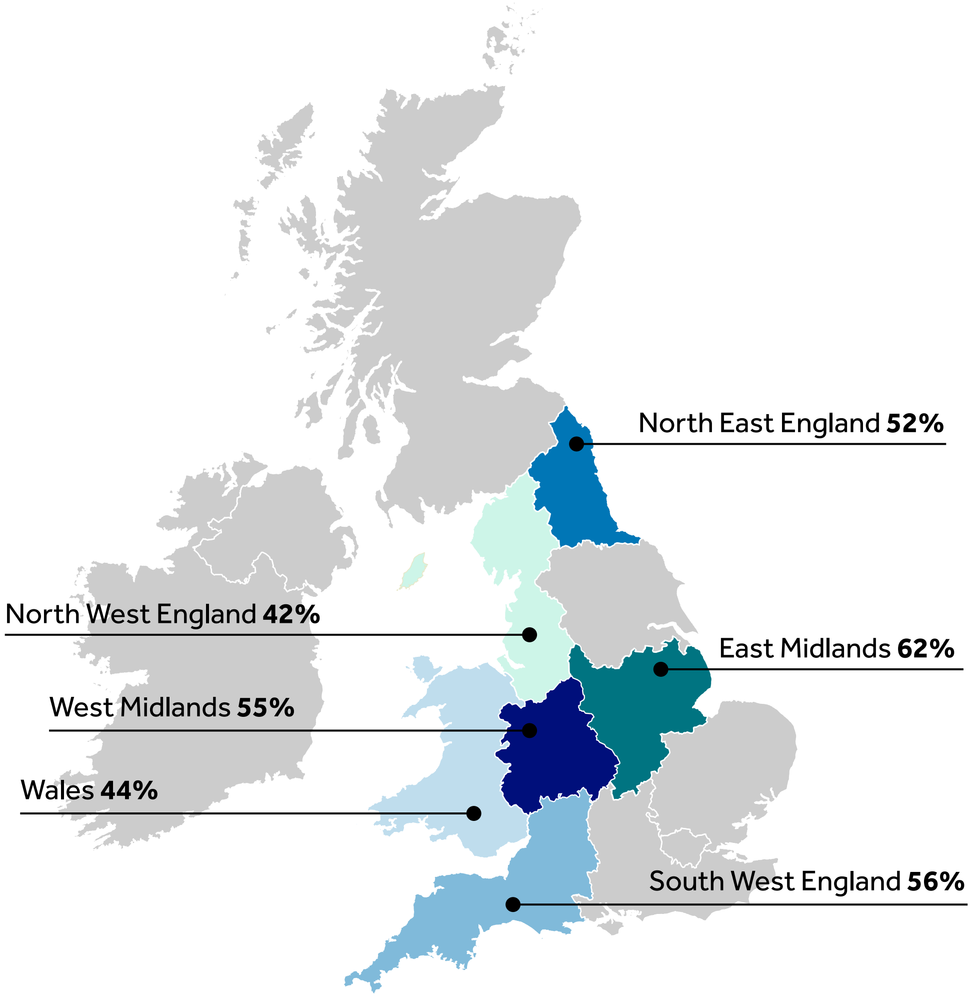
Expansion plans
More than four in 10 firms (43%) plan to add new outlets. This represents a significant leap in growth plans over the position a year earlier: Ready to Go Again found just 18% of firms looking to expand their number of locations.

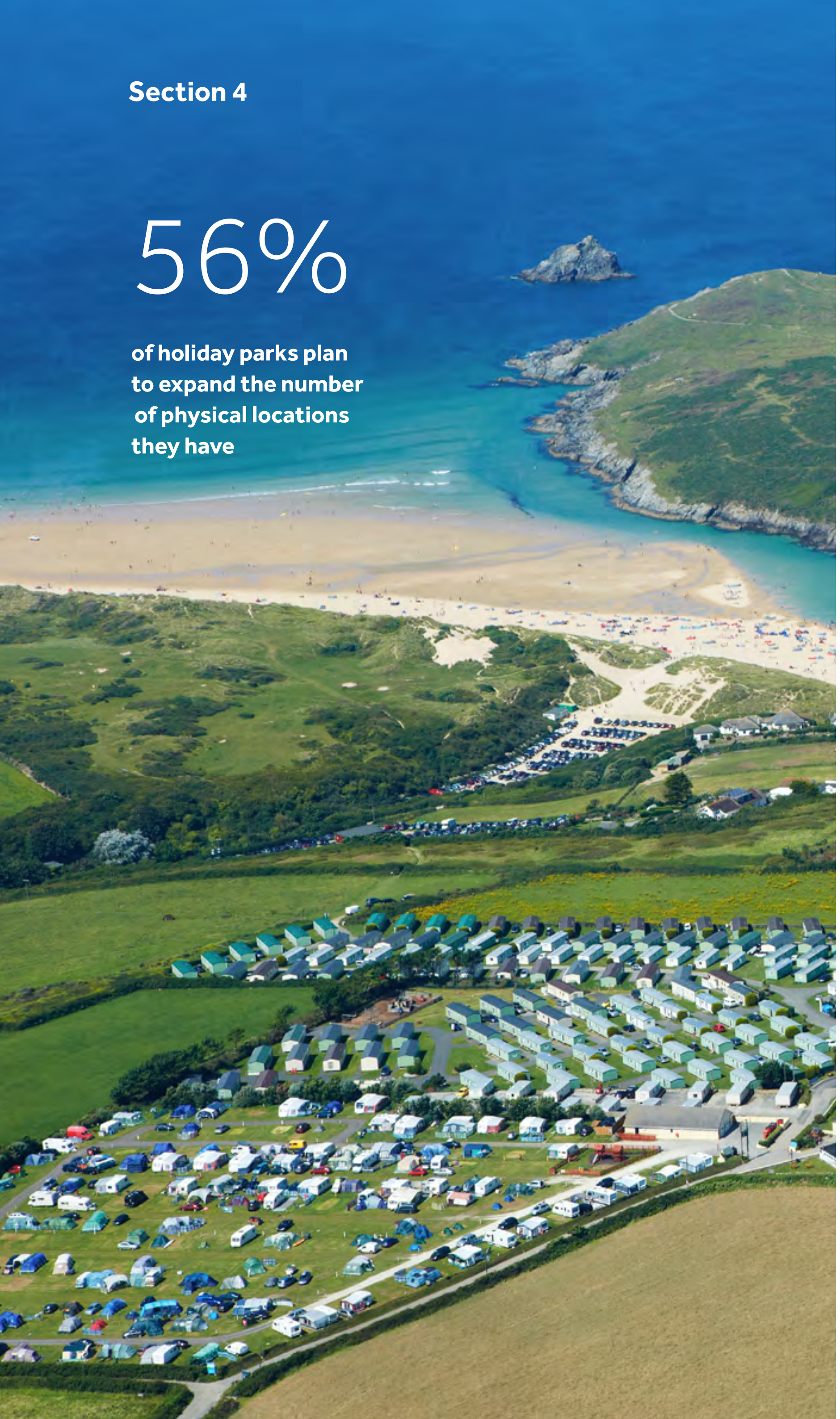
Several regions are set for net expansion – notably the East Midlands, where 61.5% of businesses plan new sites, the South West (56%), the West Midlands (55%) and the North East (52%). Across the board, however, there is more reduction than expansion: half of firms want to reduce their estate.

Of those with plans to expand, the average ambition is for 5.6 new sites, with holiday lets/B&Bs averaging 6.5. Holiday parks are also in ambitious mood, with 56% aiming to expand their portfolios. Both these results suggest a bold approach to retaining a large section of the domestic holidaymaker surge noted earlier.

"Alongside tactical retreats from certain sites, many businesses are planning to expand their physical networks."

Regions in which the highest proportion of businesses plan to expand their overall number of locations





56%

of holiday parks plan to expand the number of physical locations they have

Travelodge, which is opening 17 new UK hotels this year,[11] is among the 47% of hotel groups which have expansion plans. And the resurgence in gym membership has triggered a race for new space by 41% leisure clubs with The Gym Group, for example, considering empty retail space as locations for a projected 40 new gyms.[12]

City, rural and local

Fears that city-centres might not regain their buzz seem unfounded, based on our research. More businesses are planning to expand their city-centre bases (46%) than to reduce them (42%). For instance, 55% of pub chains, 54% of restaurants and 47% of holiday apartment/ B&B operators aim to open more outlets in these areas.

Holiday parks are particularly set on expanding in rural locations (62%), as are hotels (44%). Rural expansion plans are especially common in the East Midlands (54%) and the North East (48%), against an average of 39%.

Barclays perspective

Hybrid working habits have provoked unease about the future of city centres. Our research suggests hospitality and leisure businesses continue to have faith in these locations, but the government's Build Back Better High Streets Strategy, including measures such as an extension of the streamlined pavement licensing system,[13] will be critical to help operators maintain a viable presence.

New sites in local and suburban areas are also on the agenda for 62% of holiday parks. Caravan sites (46%) and bars (47%) are eyeing these neighbourhoods too. However, cafes, gyms, spas and restaurants are all planning net reductions in local areas – perhaps going against the trend seen in our consumer survey, with more people prepared to try their neighbourhood amenities.

Changing places

The Romans started it, but now the spa tradition is being reinvented for a wider audience

Visiting a spa is typically seen as a premium experience in the UK. But if the ambitious vision of Therme Group is realised, a trip to the spa will soon become an everyday activity, akin to going out to a restaurant or cinema.

The Therme concept is far from a traditional spa, however. Its four successful facilities in Germany and Romania are vast "urban oases" combining multiple pools, saunas, children's water slides, lush relaxation areas and treatment centres.

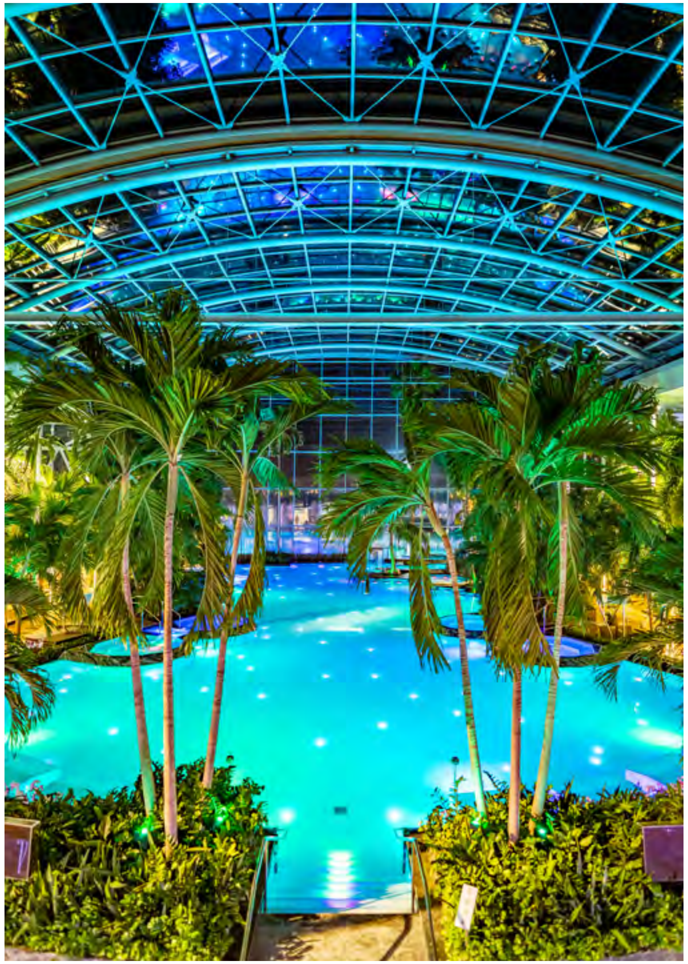
The Bucharest Therme, for example, incorporates a 30,000m^2 urban beach, three themed restaurants, and the city's biggest botanical garden in the country with more than 800 palm trees. Opened in 2016, it is now Romania's most popular attraction.

Therme is confident that Britons will love the concept too. It has drawn up what Adrian Ion, Vice President, Therme Group, describes as a 90/90 roll-out strategy for the UK: ensuring that 90% of the UK population can reach a Therme oasis within 90 minutes.

"The UK is a very important market for us," says Ion, who is responsible for financial strategy and raising capital. "It has a pre-existing spa culture, going back going back all the way to Roman times and continuing through the Tudor, Georgian, and Victorian eras right up to today. Our mission is to rejuvenate that concept. It's not just about going to the spa, but about creating an environment that encourages everyone to engage with nature, health and culture to achieve a more balanced lifestyle."

A safe place to be

The testing-ground for these ambitions will be Manchester. The business has secured a 12-hectare site within TraffordCity, a retail and leisure destination four miles west of the city centre. Therme aims to break ground on site at the start of 2022 for a two-year construction programme.



These plans have not been delayed by the pandemic, says Ion. He believes that customers' confidence in the product will be boosted by the large indoor and outdoor spaces available at Therme and by the company's deployment of state-of-the-art technology such as contactless radio frequency identification (RFID) access, high-performance ozone-based water filtration that recirculates all the water in the pools every four hours, bacteria-killing UVC light in changing rooms and large-volume air exchanges with high-efficiency particulate absorbing (HEPA) filtration.

A pre-entrance pavilion has been added to the Bucharest centre, enabling customers to be health-screened in line with current Romanian government requirements before entry. "As the pandemic has eased up and people have returned, these factors have given them additional comfort that it's a safe place to be," says Ion.

Resorts fit for the city

Therme's concept is a distinctively urban one. "It's a conscious decision – we believe we provide a solution to many issues in our cities and society," Ion explains. "It's a place for people to socialise, to disconnect from technology and reconnect with nature."

Therme projects that 60 to 70% of visitors to its first UK facility will be drawn from the local population. The TraffordCity site benefits from a catchment population of 13m within a 90-minute journey time. It will also have excellent transport links, including a metro station opposite the entrance.

That's important not just from a green travel perspective, says Ion, but because it encourages spontaneous use of the centre: "We don't want people to have to plan in advance to figure out how they can get to us. They'll be able to make that attendance decision on the spot."

Accessible and inclusive

Manchester's growth and innovation are factors in the company's choice of site. With a mission to deliver wellbeing to all, Therme was also drawn to the region by the chance to be part of the 'levelling-up' agenda in the North.

"Our pricing and accessibility are geared towards the city dweller. It won't be a membership-based model because that also involves some element of planning and implies exclusivity," says Ion. Besides pay-as-you-go entry options, there will be a social inclusion programme to ensure the facility is accessible to people who would normally be unable to afford it.

This policy underlines the broadness of Therme's demographic. Its existing centres see a 60-40 split between adult and child customers, while 10 to 15% of the adults are seniors. While traditional spas are still female-dominated, Therme's gender split is even.

"We find people tend to repeat visit, as they understand how they can use Therme in different ways," continues Ion. "They might come to spend quality time with the children, then again to meet a friend or colleague in the relaxation area or to enjoy some of the many spa treatments on offer."

Online relationship

Therme may be a place where people can leave their phones behind, but the company recognises the importance of an online relationship with its customer base. It has a 30-strong digital team that is developing next-generation customer apps that will evolve from e-commerce to supporting users' wellbeing and include features such as customised food and nutrition programmes linked to Therme restaurant menus.

While parts of its offering clearly overlap with those of other leisure operators, Therme sees its market opportunity as being somewhat different.

"Our focus is to serve our local community, which is a different market from that served by out-of-town destinations, such as village resorts and theme parks" says Ion. "And we do not have Olympic-sized swimming pools because we believe that is something that should be part of the local public infrastructure."

Therme therefore sees itself as part of an ecosystem of options that will respond to people's increasing needs for physical and mental wellbeing. "We are here to enhance and broaden experiences available to the local population, with a razor-sharp focus on accessibility and affordability. Our aim is to help people live healthier, happier and more energised lives and to act as a catalyst for greener, healthier and more liveable cities. In one phrase, our aim is to deliver wellbeing for all."

"It's not just about going to the spa, but creating an environment that encourages everyone to engage with nature, health and culture to achieve a more balanced lifestyle."

Strategies for success

Find partners

Join forces with other providers in your community. Reciprocal deals help to widen customers' leisure options, drive new business and boost local economies.

Be truly local

Make your operation stand out by getting involved in community concerns. If you operate in multiple locations, tailor your offering to each community.

Connect online

Even if your offering is a purely physical one, consider ways that you could sustain a mutually valuable digital relationship with customers – see the case study on Therme.

Think ESGH

Review your offering to see how you could strengthen it in areas close to your customers' hearts, such as sustainability and wellbeing.

Get a competitive edge

Future-proof your business to target new demographics. Consider how you might extend your season or adapt services to compete with the returning lure of overseas travel.

Green solutions

Driving sustainability and transition

We can help your business access flexible financing at competitive rates to support environmental and sustainable activities – and align your surplus capital with your green priorities. We can also fund green projects, trading needs and innovation in areas from renewable energy to green transport and sustainable food production. And we can secure flexible funding at fixed or floating interest rates.

Our innovative and flexible routes to finance:

Green Loans

Our Green Loans can provide funding for a variety of green and environmental projects including energy efficiency, renewable energy, green transport, sustainable food, agriculture and forestry, waste management and greenhouse gas emission reduction.

Green Deposits

Earmark cash balances against green assets held on Barclays' balance sheet*.

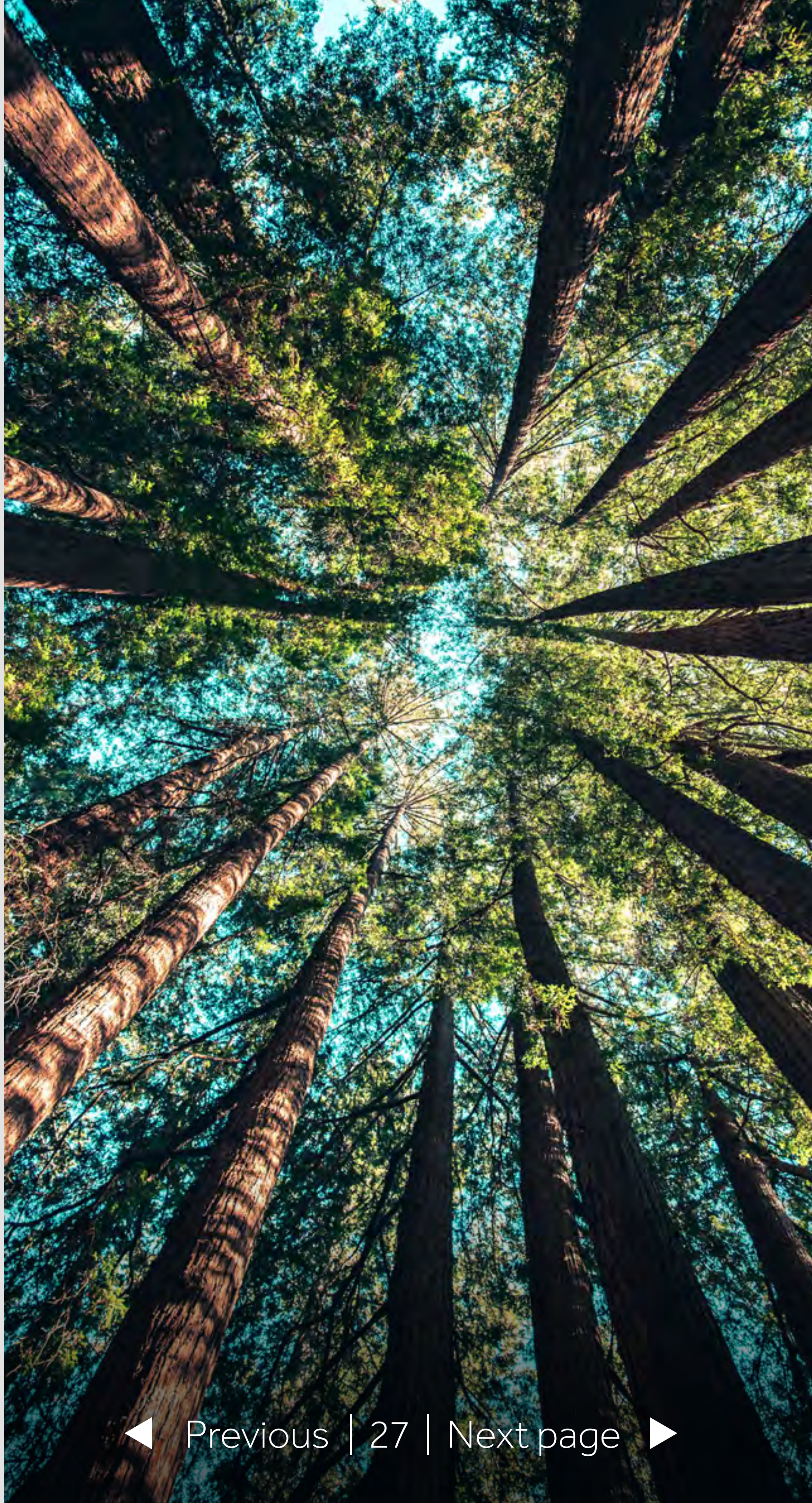
Green Trade Loans

Green Trade Loans can support your green working capital needs, from procurement through to final sale of goods. By securing funding from the initial purchase until final payment is received, you can trade with confidence and plan and manage your cash flow more accurately.

Green Bonds, Guarantees and Indemnities

These can help you demonstrate that your business can meet the contractual obligations associated with an underlying transaction aimed at advancing your green agenda.

*Available to larger clients.



Green Selective Receivable Finance

A cost-efficient method of increasing your working capital while supporting your green agenda. Barclays can purchase your green trade receivables from highly rated debtors, accelerating your cash flow and mitigating the debtors risk of default. Green Selective Receivable Finance can cover a variety of initiatives including energy efficiency, renewable energy, and green transport.

Green Bill of Exchange & Promissory Note Discounting

We can purchase qualifying trade debts from you at an agreed discount, enabling you to finance your working capital needs and support your environmental goals. These green projects or transactions can help prepare your business for a low-carbon future, reduce your energy costs and support greener transportation.

Our Sustainability Finance Framework – developed with Sustainalytics

Our partnership with Sustainalytics means that each facility is issued against an externally verified framework, and this may assist investors and other stakeholders to have confidence in your environmental and sustainability initiatives.

Barclays Market and Customer Insights

Customer transactions, strategic actions

Barclays Market and Customer Insights unlocks a wealth of customer transaction data and brings it to life so you can take action and shape your strategy.

We can help you keep up to date with spending trends, monitor your market position and enhance your understanding of customer behaviour, based on actual customer spending to help you make informed business decisions.

We're here to guide and support you through the shifting commercial environment. Market and Customer Insights can help you navigate the evolving economic situation and provide support that includes invaluable data and useful observations on changing consumer spending patterns.

If you wish to find out more about how we can help you and your business, please don't hesitate to reach out to us at contact-MCI@barclays.com.

You can also access our monthly Spending Reports with the latest consumer spend trends on our page.

Barclaycard: What our hospitality and leisure team can do for you

As the largest bank-owned acquirer and issuer in Europe, Barclaycard processes one in three UK payments.

With over 50 years of innovation, you can trust us to deliver market-leading payment solutions that'll help your business to adapt and grow, whether you're looking to improve your customer experience, reduce fraud while boosting sales or make your procurement more efficient.

From retail to wholesale, across motors, household goods, food and drink, and fashion, our consumer and retail team have the expertise to help you find the right solution at the right time, including connecting you to opportunities and solutions across the Barclays group.

barclaycard

About the author

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Mike is head of Barclays' UK-based Hospitality and Leisure team. With more than 30 years' experience, he and his team support a wide-ranging client base with their dedicated specialist approach,industry knowledge, and sector-specific products and services.

For further information and to find out how our sector specialist team can help your business respond to the issues outlined in this report, please contact Mike Saul.

Additional sources

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