

# The Churchill Hotel, York – Dining Pods

## Tourism & Economic Appraisal/Market Study

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By



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TOURISM BUSINESS

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## 1. Background & The Brief

Hospitality, tourism and leisure consultancy *The Tourism Business* has been engaged to assess the market and economic situation for dining/meeting pods in the front garden of The Churchill Hotel, Bootham, York.

The brief is to research, consider and report on:

- (a) The hospitality sector post-covid
- (b) The move towards al fresco dining across the UK, and in York specifically
- (c) Supply and demand factors relating to the development at The Churchill
- (d) Specific factors relating to the quality of the development, its fit with the City of York Council's strategy for hospitality/tourism developments, and its likely positive effect on the leisure economy

The report's author, Martin Evans, Managing Partner of *The Tourism Business*, has over 25 years' experience in hospitality and tourism marketing and management consultancy in Yorkshire and around the UK. He is a former Marketing Director and Deputy CEO of both Consort Hotels Group (now Best Western UK) and of Yorkshire Tourist Board (which transitioned into Welcome to Yorkshire). He has wide experience of the hotel and restaurant marketplace, including working with O'Neill Associates on the feasibility and planning applications for the Cedar Court Grand Hotel in York (now The Grand Hotel & Spa), and Sandburn Hall, north-east of York.

The author also has strong knowledge of the wider Yorkshire hospitality and tourism product and marketplace, including detailed knowledge of the City of York as a leisure and business tourism destination. Other relevant past projects in the York area include a business review for the Holiday Inn York, and business/marketing support for The Grange Hotel, York (also located in Bootham, near The Churchill), and also for the former Gateway to York Hotel at Kexby Bridge on the A1079 near York.

He is a member of the national executive of the Hotel Marketing Association, a Fellow of the Tourism Society, a member of the Tourism Management Institute and a member of Visit York. In November 2019, he organised the first York Hospitality Conference, for York BID and Hospitality Association York, which attracted hotels, B&Bs, restaurants and other businesses to debate the challenges facing the hospitality sector, notably recruitment and growth.

## 2. The Hospitality Sector post-covid

The health of the hospitality sector in York is of course partially dependent on the strength of the visitor and wider leisure economy across the whole of the UK.

### 2.1 The Visitor/Tourism Economy

The UK visitor economy can be divided into (a) domestic tourism and (b) inbound tourism. Both hugely benefit a destination like York and a hotel like The Churchill. Whilst the Covid pandemic stopped the tourism economy in its tracks in March 2020, the UK was mostly released from domestic lockdown restrictions by Summer 2021, and has since rebounded strongly in most areas of the UK, including the City of York.

The World Travel & Tourism Council published a new report in May 2022 which predicted that the UK's Travel & Tourism's contribution to GDP will grow at an average rate of 3% per annum over the next 10 years compared to average growth of just 1.7% per annum for the UK economy as a whole.

However, whilst hotel occupancy and average rates have been strong in recent months, overall the lingering effects of Covid worldwide, together with the war in Ukraine and the hugely increased cost of utilities and food, have led to fast-rising inflation and a major cost of living crisis in the short to medium-term. Whilst analysts like Mintel report that "travel will remain a consumer priority", there is little doubt that businesses and operators in the sector will need to innovate to survive, let alone thrive.

#### A. Domestic Tourism

The UK's domestic tourism market has been relatively strong for many years, since before the Brexit decision was taken in 2016. This is especially true for domestic holidays and leisure breaks, known colloquially as "staycations". The Covid crisis led to "staycations" being the only game in town for most of 2020 and 2021, when travel was actually allowed by the government.

In December 2020, VisitBritain forecast that 2021 would see a reduction in overnight domestic tourism of 28% on the pre-pandemic year, 2019. However, by August 2021, this anticipated decline had been revised further downwards, with a forecast domestic tourism spend for 2021 of just half of the £91 billion achieved in 2019. So, overall for the year, and across all destinations, not only did the inbound market disappear, but the domestic market also performed at only 50% of its potential.

However, 2022 has seen the domestic tourism market rebound well, especially for destinations like York. Across the whole of England, statistics from VisitEngland for July 2022 (the last month available) show that hotel bedroom occupancy has recovered to 83%, against a high of 85% in July 2019.

#### B. Inbound (Overseas) Tourism

As it did for the general economy, Covid completely decimated the inbound travel sector to the UK, with international travel just not happening for long periods between March 2020 and Summer 2021.

Whilst there has been considerable frustrated demand for foreign travel and holidays into the UK, the fact that the vaccination rollout was slower overseas than in the UK, and the problems caused by new variants of Covid and some countries having a greater number of "anti-vaxxers" than the UK, led to a slower than expected revival of inbound travel, especially from long-haul markets.

In fact, many industry commentators see it being 2023 or even 2024 before international travel is back to 2019 levels. Meantime, many airlines have gone into £1 billion+ debt, and others have collapsed completely. Strikes and airport problems across Europe will continue to hamper inbound demand both from short and long haul markets at least through the remainder of 2022.

In December 2020, VisitBritain forecast that 2021 would see inbound visits drop to 17 million, from a record 40m+ in 2019. However, recovery and easing of lockdown did not happen as quickly as people would have liked, and the year saw an even greater decline, with an almost 80% reduction in inbound tourism compared with 2019.

The first four months of 2022 also performed poorly in inbound tourism to the UK. Holiday and business visits are both well down on normal years, and Europe clearly led the way as US and Far East travel to Britain still struggled to recover. More recently, VisitBritain has upgraded its forecast for inbound tourism across the whole of 2022, revising forecast figures to 26.7m visitors (which represents 65% of pre-covid figures).

### **C. Tourism in York and North Yorkshire**

The tourism industry in Yorkshire is worth over £7bn, and the hospitality sector alone employs almost a quarter of a million people. Each year, the region of Yorkshire & the Humber sees 10.5m tourists attracted to the region, with the biggest markets of origin being the region itself (approx. 3.0m), the North West (1.4m), the North East (1.1m) and the East Midlands (1.0m).

With a population of over 200,000, York is one of the top 10 most-visited English cities, and is recognised nationally and internationally as a jewel in the crown of the north of England. It was named “Best Place to Live in Britain” by the Sunday Times in 2018. The city welcomes over 8m visitors pa, who spend approx. £765m each year, and this supports some 24,000 jobs in the city. Under normal circumstances, this figure continues to rise nearly every year, with significant growth in both visitor numbers and value.

One fifth of York’s visitors stay overnight in one of the city’s 20,000 bedspaces, with half of all tourism spend being made during these 1.6m overnight visits. After the UK itself, the top five nationalities visiting York are, respectively, the USA (16%), China (12%), Australia (11%), Germany (8%) and Canada (8%). In addition, nearly 900,000 conference and event delegates account for 1 in 10 of York’s visitors (and £1 in every £5 spent), and a higher % of the city’s *overnight* visitors.

York has three main market segments it targets for overnight accommodation:

- (a) UK couples and families for short breaks and longer stays
- (b) international leisure travellers from key target markets (above) and other countries across the world
- (c) business travellers and conference/event delegates.

Being based, therefore, on a healthy balance of leisure and business tourism, the York visitor economy was expected to remain buoyant over the medium-term, growing in line with UK tourism growth over the next 5-10 years. Whilst Coronavirus caused a serious decline to this in 2020, the city has bounced back strongly in the last 18 months, and, despite the cost-of-living crisis, is expected to further in the years ahead.

## Hospitality in York

York remains the strongest hotel market in the Yorkshire & Humber region for overall REVPAR (revenue per available room) – stronger even than more industrial and commercial cities like Sheffield, Leeds, Hull and Bradford, for instance.

A comprehensive report on tourist accommodation in York was last undertaken in 2014 – the “York Tourism Accommodation Study”. The Executive Summary of the report stated the following:

- York had 465 tourism accommodation properties with approx. 6,400 bedrooms and 14,000 bedspaces in the city
- Of the 465 properties, 56 were hotels, 178 B&B accommodation providers and others included campsites, inns, campus accommodation, and self-catering and serviced apartments and hostels
- Developers saw York as a highly attractive location to develop tourism accommodation, but there was general agreement in the report that new accommodation “should include higher-end options that will meet higher quality expectations”.

Whilst York can be said to be a successful city for its hotels, like businesses across the UK the city’s hoteliers and restaurateurs currently face a “perfect storm” of challenging market conditions, staffing difficulties and rising costs and interest rates. The best way to deal with these challenges is undoubtedly a combination of excellence in product and service, product innovation and marketing success.

## 2.2 Dining Out in the UK

The eating out market in the UK was expected to make a full recovery in 2022 to almost £100bn per annum according to leading research organisation Lumina Intelligence. In August 2022, like-for-like sales in the UK’s managed restaurant, pub and bar groups were tracking 2% ahead of the same month pre-pandemic in 2019.

This hugely important dining out market is of course fuelled by two key sectors, one being tourism. The other is the indigenous “eating out” market of residents living in and near - in this case - the City of York. A hotel like The Churchill needs a healthy market mix of both tourists and city residents to ensure success in its restaurant, bar and other food and drink outlets.

It is useful to consider the key current and future trends within the food and dining out sector. These include:

- (a) a continual move to less formality in dining
- (b) less time spent on meals
- (c) the growth of pop-up restaurants, bars and food “experiences” and other product innovations
- (d) more healthy options on offer on menus
- (e) organic and premium-sourced food
- (f) special dietary requirements, including vegetarian, vegan, gluten-free, wheat-free, etc.
- (g) local provenance and in many cases a farm-to-table approach
- (h) growth in the afternoon tea market
- (i) growth in al fresco dining

- (j) the introduction of more tech in food and drink service
- (k) involvement in the local community, including provision of food boxes, takeaway and delivery services

As can be seen, the proposal for Dining Pods at The Churchill ticks most of these important food and drink consumer trends, as well as providing product innovation and helping the hotel survive as a viable business in the Bootham/Clifton area of York.

## 3. The Move to Al Fresco Dining

### 3.1 The UK Market for Al Fresco Dining

As mentioned above, tourism is only part of the market when it comes to the customer mix for dining establishments in York. Latest figures from York BID show that approx. 50% of total visitor numbers to York city centre come from within 10km of the city, with 20% coming from 10km-50km, and the remaining 30% from further afield than 50km.

The most recent (May 2022) BVA BDRRC ClearSight report on Covid recovery in the leisure sector revealed that out-of-home leisure - such as dining, pubs and entertainment - has recorded a strong recovery and levels of business. Arguably the greatest growth over the two years of the pandemic within the dining out market has come within “al fresco” dining, which has never been as popular as it is now.

“Al fresco dining” could be interpreted literally as “outside dining” or dining in the open air, but it has come to include dining “under cover”, usually outside a hotel, restaurant, café or pub, where the cover can be anything from a new, permanent structure in a hotel or restaurant garden, to dining under large umbrellas – with or without heaters.

The “al fresco” movement has gathered pace exponentially since the onset of the Covid pandemic and the distancing rules which came with it.

Changes which were put in place by the government during Covid to make it easier and cheaper for hospitality operators to get pavement licences are to be extended past September 2022. Rules were relaxed to make it simpler for pubs, cafes, bars, restaurants and hotels to serve food and drink on pavements and pedestrianised roads during the pandemic. The ruling was due to end in September 2022, but has been extended at least until the end of September 2023, allowing businesses to continue to offer these services while the government works towards making the changes permanent in the Levelling Up and Regeneration Bill.

Many destinations and councils around Britain are getting behind this. City of London Corporation, for instance, is taking this further, and offering free licenses for outdoor catering, as part of its “Destination City” recovery plan.

#### **Customer demand for distancing and the open air**

A significant proportion of the working population has become used to working from home and flexibly during the last two years and this is expected to continue, with hybrid working becoming the norm for many companies, as companies also have the opportunity to reduce city-centre office costs. This can positively affect the market for outdoor and pod-type dining as has consistently been demonstrated over the last two years.

Whilst the fear of Covid has now been overtaken in consumer minds by the cost-of-living crisis, it still looms large in official research as a cautionary factor, and one for which social distancing, outside dining and a broader range of hotel facilities being provided, can go some way to overcome. There are, in fact, lingering concerns around Covid (relating to avoiding crowds and a feeling that the virus is still circulating), and these are continuing to hold some audiences back from visiting, particularly those aged 55 or over



In March 2022, for example, the Office for National Statistics (ONS) published a report on public perceptions now that all coronavirus restrictions had been removed. This report found that (a) 32% of people in Great Britain felt it would take more than a year for life to return to normal, with 12% of people thinking that life would *never* return to normal, and (b) 57% of people still avoided crowded places.

And as at the end of August 2022, further ONS figures showed that 87% of adults still feel that the measures to slow the spread of Covid are either very important or important, and that 46% of adults always or often practise social distancing

And VisitBritain said in its recent “MIDAS” report/Sentiment Tracker that, “regarding the Covid-19 residue...personal safety is also now at the fore”. The table below shows that at least 15% of customers are still (in August 2022) uncomfortable eating indoors in a restaurant.

<b>VisitBritain Domestic Sentiment Tracker - August 2022</b>		
<i>“How comfortable or uncomfortable would you feel eating in a restaurant in the next month or so?”</i>		
	<b>UKwide</b>	<b>Yorks/Humber</b>
Very comfortable	45%	47%
Fairly comfortable	36%	36%
Not very comfortable	9%	9%
Not at all comfortable	6%	6%
Don't know	1%	0%
I wouldn't do this regardless of the situation	3%	2%
<b>NET: Comfortable</b>	<b>81%</b>	<b>83%</b>
<b>NET: Not comfortable</b>	<b>15%</b>	<b>15%</b>

### 3.2 Al Fresco Dining in York and across the UK

The City of York and surrounding area has also taken advantage of the move towards al fresco dining in the last two years. Across the city, the City Council and York BID have done a lot to improve the outdoor environment, and the number of restaurants, bars and cafes which now offer outdoor dining has mushroomed exponentially, both in York and across the UK. Some examples include:

#### **The Grand Hotel & Spa, York**

Overlooking the City Walls, the hotel’s “Terrarium” (pictured below) is promoted as *“the perfect place to escape and celebrate whatever the weather”*. The publicity continues...*“This unique bubbled experience allows you to spend time enjoying afternoon tea, a bottle of wine, beer or cocktails with your loved ones”*.



There have also been numerous examples of good practice in al fresco dining across the UK over the last two years. Many enjoy the continuing support of their local councils in their quest to satisfy the market and to remain in business as a profitable concern.

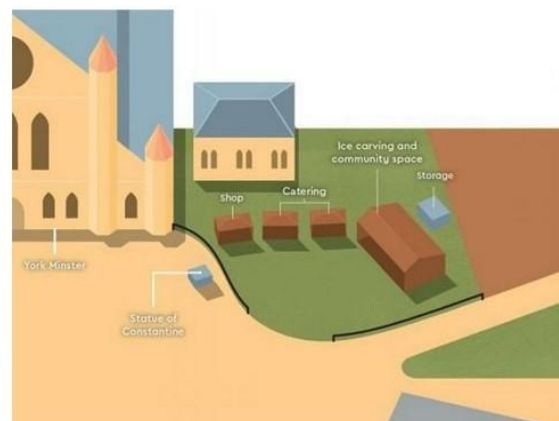
### The Principal Hotel, York

In 2021, planning permission was approved for the erection of a tent within the hotel grounds of this leading York hotel, adjacent to the station, to form a restaurant and bar with external seating and lighting for two temporary periods (from 18<sup>th</sup> June to 31<sup>st</sup> August 2021, and from 10<sup>th</sup> November to 31<sup>st</sup> December 2021). A similar application was submitted in 2022 and is yet to be determined.



### South Quire – Aisle of York Minster

In October 2022, planning permission was granted for the temporary siting of six chalets by the South Quire Aisle of York Minster, from 1<sup>st</sup> November 2022 to 13<sup>th</sup> January 2023 for retail sales and on-site food and drink sales. Similar permissions were approved in 2020 and 2021.





### Homewood Hotel near Bath

This leading country house hotel near Bath has erected dining pods in its garden to offer “dining with a difference” for lunch, afternoon tea and dinner especially.



### The Glasshouse Retreat, near London

This popular Retreat and Spa offers a “custom-made Wellness Dome” which is proving popular with guests.



### Greenway Hotel, Cotswolds

Part of the Eden Collection, the hotel has launched new luxury ‘secret hideaways’ within the grounds of two hotels for intimate weddings, private dining and celebrations.



### The Aviary, London

Since adding dining pods to the outdoor terraces at this London restaurant, there has been a significant increase in turnover, with the pods being in high demand and driving a lot of interest. They are used for private and exclusive dining and drinks, whilst customers stay warm and dry, and managers say it *“gives customers a real feeling of something special”*.



### **Coppa Club restaurant, near Tower Bridge, London**

This popular restaurant on the north bank of the Thames offers its customers al fresco dining on its riverside terrace or in one of its private “igloos”.



### **Somerset House & Chiswick House, London**

Both Grade One listed stately homes have enjoyed the benefits of dining domes being located in their gardens over the last two years.





## 4. Market Positioning and Expected Benefits of the proposed Dining Pods to The Churchill Hotel and the wider York economy

### 4.1 Market Positioning

This report intends to demonstrate robust economic evidence to support the planning application for the investment in dining pods at The Churchill Hotel.

The proposed dining pods at The Churchill will mean that this popular neighbourhood within the City of York – just 600 metres from the city centre - can satisfy the demand which has grown over the last two years for al fresco dining throughout the year. Importantly for the success of the business, and other businesses such as retail outlets nearby, the pods will offer a unique dining or outdoor experience over the long winter months, whatever the weather. They guarantee reliability when some diners rightly feel it is too chilly to eat outside.

The Dining Pods will also match the City of York’s requirements for “quality tourism and hotel development” and are expected to attract customers from the city’s three main overnight target market segments – (a) UK couples and families on short breaks and longer stays, (b) international leisure travellers, and (c) business travellers and conference/event delegates – as well as attracting at least half their business from non-residential, more local, dining customers. The pods are ideal for small groups, including business groups/meetings, groups of friends, and multi-generational families.

### 4.2 Expected Economic Benefits to the hotel and the City of York

Over the last 15 years, and especially more recently, it has become more difficult to make a net profit from running hotels, as operational costs such as utilities, food costs and wages have all increased substantially, and achieved room rates have not kept pace. The need to innovate and diversify within a growing “experience economy” has been demonstrated through hospitality sector trends such as lodges, treehouses, spa gardens, serviced short-stay apartments and other such product enhancements. It has also been demonstrated (more negatively) through the unfortunate closure or intended redevelopment as private dwellings of a number of older, traditional small hotels, B&Bs and guest houses in York. In the last few years, and in the face of significant new competition from larger chain and budget hotels, these have included Blakeney House, Bishops Hotel, Carlton House, Hazelwood Guest House, Heworth Court Hotel, Holgate Hill Hotel, and the Priory Hotel and Saxon House Hotel on Fulford Road.

The proposed Dining Pods fit The Churchill’s strategic goals for this hotel and fine heritage asset to move with the market and to survive and thrive as one of York’s long-standing hotels and tourist amenities, a tenet which was also seen in the recent approval of the National Railway Museum’s proposals for a new central hall as part of a major development less than a mile from The Churchill hotel. Having already had the chance to demonstrate their viability on the back of temporary pods that the hotel used in the winters of 2020/21 and 2021/22 (which proved a lifeline to the business, achieving 87% occupancy through the winter months they were installed and over £100,000 turnover in December alone), it is believed that the pods will make a valuable contribution to the hotel’s total revenue.

Of course, national and local planning policy supports expansion and alterations which enable businesses to adapt to future challenges and thrive. In addition, VisitBritain's goal in its current five-year Strategy– as well as the substantially increased revenues and visitor numbers highlighted in Section 2.1, above - is to *“target high value markets and visitors...aided by supporting the building of regional product and distribution to optimise visitor dispersal and address product gaps”*.

The plans for the development of Dining Pods at The Churchill seem to be balanced, and fit with these objectives and the need to develop the City of York's tourism product to help achieve the city's ambitious goals of a £1 billion visitor economy by 2025. They not only support The Churchill hotel itself but also provide an exciting dining venue which can be used by customers of other accommodation venues in the city that do not have an eating outlet themselves. In terms of creating additional innovation in the city's tourism product, they tick many boxes within York's most recent Tourism Strategy document:

- “grow the evening offer”
- “harness the innovation of our SMEs to make York the “beating heart of the region”
- “address the January to April low point with new products...”
- “challenge and support businesses to develop high quality products...”

The plans also support VisitBritain's strategy (2020-2025) to “support the development of product that extends the season and length of stay for both international and domestic visitors”.

A significant number of additional full-time equivalent jobs are expected to be created by the Dining Pods. The success of the temporary pods over the last two winters resulted in the creation of 7 additional full-time and 11 additional part-time jobs, and an uptick in overall nett wage bill for the hotel of some 47% over pre-pandemic figures. Equally, without the planning permission the hotel is seeking, and the opportunity to fully trade within the hotel's beer garden for 120 days between October/November and February, many of these full-time and part-time jobs would be at risk.

The immediate economic benefits are therefore significant. And a development like the Dining Pods at The Churchill not only creates jobs in the sector itself, but also encourages growth in other primary and secondary sectors of industry and the local economy. This, of course, is the “multiplier” effect, the indirect benefit of the development, including recruiting and training up locally-based food service staff, and buying local goods and produce from suppliers within the City of York and the wider Yorkshire region.

**The Tourism Business - 10/22**

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