

Hospitality and leisure insolvencies show little improvement

LONDON, UK: According to the latest PwC analysis of corporate insolvency numbers, Hospitality and Leisure (H&L) continues to be one of the worst affected sectors with no discernible improvement over the past two year



- Pubs and restaurants continue to be worst affected
- Holidays are a top spending priority
- Recessionary behaviours are now the norm when booking breaks

In total, 239 H&L companies became insolvent in the first quarter of 2011 compared to 246 in the last quarter of 2010 - a 2.8% decrease. However, the level of insolvencies increased by 4.8% compared to the first quarter of 2010 and for the year to end March 2011 there were 979 insolvencies compared to 994 in the prior year.

Robert Milburn, hospitality and leisure leader at PwC, said: "The latest insolvency figures for the H&L sector show no marked improvement year on year. This trend could continue as the spending cuts begin to impact the UK economy and with the new fiscal year starting, there are net personal tax rises for many. This will make people tighten their purse strings which will impact disposable income with a knock on effect on the hospitality and leisure sector."

Pubs and restaurants worst hit

Pubs and restaurants have been worst hit in the first quarter of 2011, with 70 and 119 businesses respectively becoming insolvent. Wet-led pubs (pubs with no food offering) continue to be worse affected.

Robert Milburn, hospitality and leisure leader at PwC, said: "Surveys carried out by PwC show that consumers are less likely to cut back on holidays than at the start of the recession and more likely to cut back on discretionary spend on socialising like drinking and dining out. The effect on pubs and restaurants could continue throughout the year as people adjust their spending habits.

"Not only will these businesses battle with the reduction in corporate entertaining and consumer disposable income, but also innovative offerings from food retailers will entice shoppers with value for money 'dine in' offers.

"To counter this, restaurants will no doubt come up with more offers of their own. Vouchers look set to be around for some time yet!"

Findings of a recent survey of Small Luxury Hotels of the World club members, in association with PwC, shows that travellers are more optimistic, with 30% of respondents saying holidays remain a top spending priority this year. Deleveraging through increasing savings and paying down loans is also still an important priority over the next 12 months. When asked about holiday plans for the next 12 months, respondents said they are more likely to go on more short breaks and take more holidays, but will remain value and cost conscious. Survey findings also showed that price and value for money are key reasons for choosing a hotel, with value for money more important than price.

Robert Milburn, hospitality and leisure leader at PwC, said: "Recessionary behaviours are now the norm and the focus on buying clever has certainly stuck with the consumer.

"The key to success for travel agents and hoteliers in this competitive market is best available rates and no hidden extras. Findings from the survey showed that 63% of respondents search for the best price, 32% are always looking for a good deal, and 30% of respondents won't mind asking for a discount."

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