THE SUMMER 2012 LONDON ACCOMMODATION BRIEFING

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Corporations have some tough decisions to make in the next few months about how they ensure that their businesses run smoothly during the summer of 2012. Some of the questions to be answered are:

- Will staff be able to travel to and from their London offices?
- Will hotels honour their contracted rates?
- Will hotels and other venues be able to provide 100% support for events during this period?
- To what extent should businesses move out of London for the period?

These challenges stem directly from restrictions upon transport and hotel room availability in the capital.

At the core of the problem are the Olympic and Paralympic Games, which take place from July 27 to August 12 and from August 29 to September 9, respectively; now less than 12 months away. London will be swamped by millions of extra visitors, including 3,500 Olympic staff, 70,000 volunteers, the Olympic Committee and 22,500 media.

The London Organising Committee for the Olympic Games (LOCOG) has commissioned 65% of the hotel inventory across London. This is to accommodate only those visiting for promotional purposes, VIPs and sponsors. Everyone else will have to scramble to secure a slice of the remaining 35% of inventory.

To exacerbate this situation, the city will be swamped with visitors for many other reasons and for a much longer period. The calendar of events in London for the summer of 2012 is busier than ever. “Next year is a one-off”, says Anne-Marie Crawford, Head of Client Management at Hotelscene. “There are many events in London between May and September that will contribute to poor availability of accommodation and transport issues.”

**Recommendations**

Hotelscene, a specialist hotel booking agent, is working proactively with its clients to help formulate strategies for circumnavigating the challenges of conducting business in London in the summer of 2012.
Crawford advises:

- It’s important to distinguish between what has to take place in London during the summer of 2012, what could take place elsewhere and what could be either brought forward or delayed.
- It’s often not feasible to say, ‘don’t travel’ but choosing alternative locations may be viable and sensible options.
- Watford, St Albans and Reading are likely to be good alternative locations to London.
- If possible then rearranging those re-locations to London which are scheduled for next year would be advisable.
- We know that hotels will blackout their client negotiated rates during this period and the only way to secure London accommodation during this time will be to pay for rooms in advance.
- Apartments are the obvious choice for long stays.
- Home working and using teleconferencing are likely to be more effective and efficient ways of working than travelling to and from London.

Expert opinion from the hotel industry

Leading hotel consulting and valuation company, HVS, believes hoteliers will not be too greedy, having learnt from the Royal Wedding earlier this year, when rates soared and people stayed at home. Tim Smith, Director of HVS London, believes that, “hotels will secure business early on rather than wait for inflated prices.”

Its report, London Hotels and the 2012 Olympic Games, states: “With increasingly sophisticated tools to monitor booking levels and average rate benchmarks … hoteliers [who are part of a chain/network] will hopefully be much more cautious about hiking up their prices. On balance we consider the Olympics and Paralympics will deliver a significant short-term jump in [average room rates] ARR (say for ten weeks or so) but not a great deal more.”

Business Information Services company, Rubicon Europe’s, predictions are similar. Based on a major study it undertook last year for a large hotel chain on the Vancouver Olympics to help create a strategy for next year; it believes the Vancouver scenario will be replicated in London, with:

- Average daily rate increases of 100% for the two-week period of the Olympics,
- A significant drop off in corporate demand, and
- An 80% drop in number of room nights contracted.

Another industry source, TRI Hospitality, concurs on the pricing front. Deputy Managing Director, David Bailey, “expects a significant rise in rates, inevitably” but believes corporates will avoid London around that time. “There is no over-arching answer to the problem and it will mean changing travel plans, annual leave policies and not unnecessarily burdening the city infrastructure.”

The Current Stance of Hotels

At the time of writing, no one hotel group had announced 2012 rates. De Vere, Thistle and Intercontinental Hotel Group (IHG), declined to go public on rate strategy for 2012. “It’s like a Mexican stand-off,” remarks Crawford. She believes that by mid-October 2011, in the thick of the Request for Pricing (RFP) season, LOCOG will have announced whether they are releasing any of their allocation or requesting more inventory and hotels will have unveiled their rates. “Hotels can’t afford to alienate their corporate customers,” says Crawford. “Hotels respond well to us explaining, ‘This is what my client needs, can we negotiate?’; but they need to know clients’ needs and have these discussions with us now.”

IHG’s VP Sales Europe, Nick Grandvoinet, did say that, “Most
of our hotels will have already allocated rooms to key clients over the time of the Games’. Our main focus is to protect our long-term relationships with our regular corporate customers.”

Choice is typical of a franchised organisation and because of this there is no group level strategy for the Olympics and decisions on rates and allocations are taken at property level. One Choice franchisee, General Manager Hussain Hemani from Comfort Inn Vauxhall, explained that its strategy is to optimise revenue per available room (RevPAR) during the Games and for the anticipated post-Olympics influx of travellers: “We expect to get about a 50% increase in revenues compared to other months that year,” he said, adding, “We want to get the balance right between ensuring continuous revenues from our regular corporate customers while also benefitting from one-off visitors who are prepared to pay a premium to stay in a centrally-located London hotel.”

**Expert Opinion from Transport for London**

Transport for London (TfL) will be urging London businesses to make changes to how their employees work. A TfL spokesperson explains, “During past Olympics, namely in Vancouver and Sydney, background demand for transport dropped by 30% by staff working from home, changing their working hours, taking holiday and cycling or walking to work.”

TfL must achieve a 30% reduction in commuter loading (and 50% at London Bridge) for the system to work effectively. Some of the anticipated transport challenges during the summer of 2012, which TfL highlighted, are:

- 3.3m extra journeys taking place on public transport each day
- Friday August 3 will be the busiest working day on the transport networks, and best avoided. Some 800,000 tickets have been sold for events that day
- The Olympic Route Network will take over 1% of London’s road network for the duration of the Games, including right-hand turns, in an effort to speed traffic up. These special lanes will be clogged with 1,100 cars driving along them each hour.
- Central London will see substantial road closures because it will turn into a giant Olympic venue (combining Horse Guards Parade, The Mall and Hyde Park) for the nine different road events.
- Residents parking and a lane of traffic may be taken over, which will affect 68,000 addresses.

**Specific London Travel Policy**

To avoid business disruption during the summer next year, companies are advised to take precautionary measures now, including implementing and managing a specific London travel policy for next summer; forewarned is forearmed.