

The case of the London Olympics: what happened to the accommodation sector?



Introduction

- \rightarrow The effect of London 2012 Olympic Games, which is a mega event, will be assessed
- → Mega events are perplexing to define, however it is considered having over three million tickets sold (Roche, 2000), and can be viewed as a tourist attraction (Müller, 2015).
- → The results are segmented into class categories, which are based on price, service and star ratings

Objectives

- → To understand the present and potential growth of different classes
- → To provide recommendations based on managerial implications

1. Occupancy rate

- → Significant decrease in the economy and upper midscale class during 2012
- → Steep increase in the luxury, upper midscale and midscale class in 2014

2. Supply and Demand:

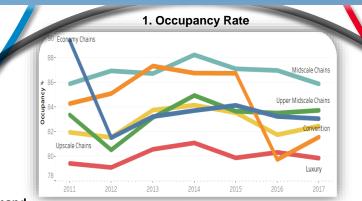
- \rightarrow Luxury class presents the greatest difference
- \rightarrow Economy class doubled in supply
- → All 3 categories have increased supply, whereas demand has a minor escalation

3. Occupancy, revenue and ADR for 2012:

- → Increase in revenue, but decrease in the occupancy rate
- → Luxury chains had gained the most revenue and had the highest ADR

4. Revenue 2011-2016 and forecast 2017-2020

- → Upper Midscale and Midscale classes had consistent revenue
- → Majority of classes are expected to reduce after 2019, due to Brexit
- → Convention class regarded as an anomaly, ludicrous surge from 2016



Conclusion

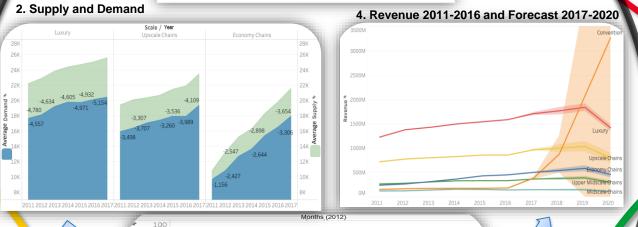
Tourism is an infinite growing industry and it exerts pressure on the accommodation sector.



The London Olympics 2012 had a prodigious potential to contribute to the economy.

Nonetheless, evidently, this failed, as prices sky rocketed and occupancy plummeted.

Consequently, the luxury class were the only beneficiaries of the mega event, while others struggled to maintain their market shares.



3. Monthly Occupancy, Revenue and ADR

of 2012

Managerial Implications

- → Exceeding gap between demand and supply delays revenue maximisation
- → Could novelty be a marketing solution (ABTA.2018)?
- → Product differentiation will be essential due to an expected increase in demand of convention class (Kuo, 2009).
- → Predictions from PWC attribute to the uncertainty of Brexit with a growth depression of around 1.6% in the following years (Redefine BDL Hotels, 2016).
- → ADR is expected to grow, while occupancy rate is envisioned to fall (Harmer, 2018), due to price inflation.

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