



Leisure and Hospitality Futures Report

December 2022

TABLE OF CONTENTS

About this report

Objectives and methodology	01
Foreword	02
Overview	03
How to read this report	04

Hotels and accommodation

New frontiers in technology	05
Transformation of people and workforce	06
Changing consumer preferences	07
Climate and sustainability	08
Focus: Climate change and leisure and hospitality	09
Risk alerts	10
Opportunity watch	11
Action plan: Five climate priorities for risk managers	12

Health, fitness and wellbeing

New frontiers in technology	13
Transformation of people and workforce	14
Changing consumer preferences	15
Climate and sustainability	16
Risk alerts	17
Opportunity watch	18
Action plan: Five ways to boost worker wellbeing to attract and retain staff	19



Entertainment venues and visitor attractions

New frontiers in technology	20
Focus: The metaverse and entertainment venues and visitor attractions	21
Transformation of people and workforce	22
Changing consumer preferences	23
Climate and sustainability	24
Focus: Terrorism and active assailant risk – a board-level discussion	25
Risk alerts	26
Opportunity watch	27
Action plan: Key risk questions attractions and venues need to answer now	28



Pubs and restaurants

New frontiers in technology	29
Case study: Data analytics delivers for New York restaurant	30
Transformation of people and workforce	31
Changing consumer preferences	32
Climate and sustainability	33
Risk alerts	34
Opportunity watch	35
Action plan: Five ways businesses can become an employer of choice beyond wage rises	36



Gaming and gambling

New frontiers in technology	37
Transformation of people and workforce	38
Focus: Mental wellbeing and leisure and hospitality – Exceeding customer expectations, defending claims	39
Changing consumer preferences	40
Focus: Experience shifts – Potential impact on gaming and gambling	41
Climate and sustainability	42
Risk alerts	43
Risk alerts: Consumer preference	44
Opportunity watch	45
Action plan: Five ‘red flags’ to take down before approaching markets for cyber cover	46



Media and entertainment

New frontiers in technology	47
Transformation of people and workforce	48
Changing consumer preferences	49
Focus: Prosperity polarity	50
Climate and sustainability	51
Risk alerts	52
Opportunity watch	53
Action plan: Five priority areas for media and entertainment companies	54

About this report



About this report

Objectives and methodology

To understand the risks, mega trends and strategic issues likely to affect trading for the leisure and hospitality (L&H) sector over the next 10 years and beyond, WTW partnered with Mack Institute’s Collaborative Innovation Program (CIP) at the Wharton School, University of Pennsylvania, and forward thinking inc.

The aim of this resulting WTW Leisure and Hospitality Futures Report is to not only analyse the dramatically changing conditions and the equally profound responses of the sector, but to identify emerging risks, potential opportunities and immediate actions that might protect and grow L&H businesses into their futures.

In this report, we feature insight gathered by Mack researchers who conducted ten in-depth interviews with industry experts, four colleagues from within WTW, and six external experts, industry leaders and WTW L&H clients from the U.K. and U.S., to broadly

understand the trends and their impact potential within the L&H industry. The team also conducted a survey to understand changing preferences and expectations and collected quantitative customer responses from more than 200 survey respondents, split between the U.S. (95) and the U.K. (108).

We combine these research outputs with insight from forward thinking inc, a third-party consultancy commissioned by WTW. It conducted 21 interviews with L&H industry experts within WTW (4), external experts, industry leaders (7) and clients (10) located in the U.K. and U.S., and also undertook in-depth secondary research.

We also overlaid all of the resulting research with further insights from WTW L&H leaders, as well as expert commentary from a range of WTW’s people, risk and capital experts.

Foreword

Leisure and hospitality has always been a fast-paced sector, quick to react to the needs of its guests and customers and eager to innovate. But in the current decade, economic and geopolitical conditions continue to intensify the need to deploy this adaptability to its absolute maximum.

This often means embracing and catalysing radical change to survive. Such change creates a dynamic risk landscape where uncovering the path to continued success demands clarity on precisely where your greatest risks lie and how they can be mitigated, or transformed into opportunity.

Part of our commitment to this important industry sector is to help deliver this vital clarity.

The lasting impact of the pandemic includes radically accelerated digital transformation, driven by serving locked-down consumers with new products and forms of entertainment. Business models have been abandoned due to operational complexity and vulnerability risks have grown and taken new forms.

But the pandemic merely accelerated trends already underway. Similarly, while the cost-of-living crisis and inflationary pressures were only beginning to make themselves widely felt at the time we carried out the core research, the various opportunities and action points identified may well empower cost-pressurised organisations to take a surer stance as conditions tighten.

Many notable sector advancements, such as increasing reliance on third party technology,

¹ <https://www.ukhospitality.org.uk/news/616137/1-IN-5-HOSPITALITY-BUSINESSES-WONT-SURVIVE-WITHOUT-SUPPORT.htm>

monetising the metaverse, cashless operations, and serving an ageing customer profile will impact an organisation's risk profile. Some of these new risks may be hitherto unseen or uninterrogated.

So, here we delve into relatively unexplored areas, such as cyber harassment in the metaverse, the evolving impact of artificial intelligence (AI), with the understanding that recognising emerging exposures is the first step to clarifying how to address and maximise them.

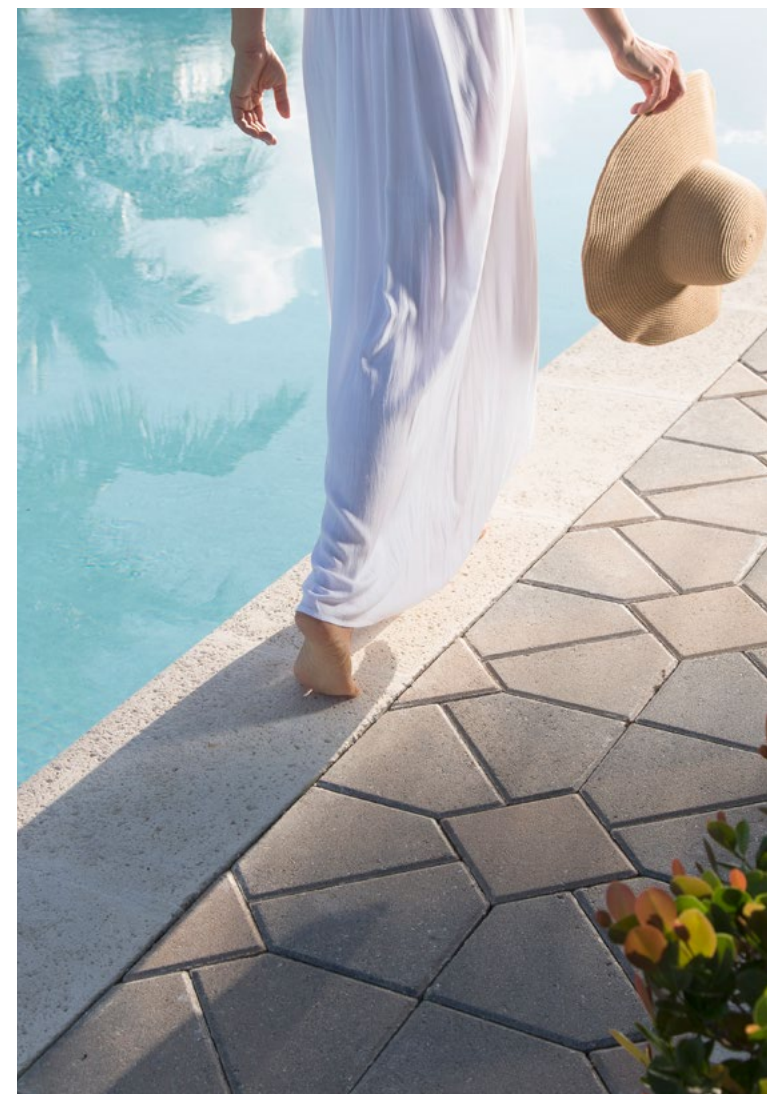
We'd like to take this opportunity to thank the WTW Research Network team: Lucy Stanbrough and Stuart Calam, Mack Institute's Collaborative Innovation Program at the Wharton School, University of Pennsylvania research team: Becca Barth, Sydney Harrison, Jatek Chhateja, Whitney Gao and Hana Do, forward thinking inc and my WTW subject matter experts for all their work to help deliver this Leisure and Hospitality Futures Report.

WTW's Leisure and Hospitality Practice has been established for more than fifteen years, and we've been deploying our experience and insight to help organisations make informed and effective risk decisions throughout. This report is about supporting the sector into the next decade and beyond.



Teresa Long

Industry Leader – Retail, Leisure & Hospitality for GB Risk & Broking





Overview

In this report, we explore the following leisure and hospitality sub sectors:

- Hotels and accommodation
- Health, fitness and wellbeing
- Entertainment venues and visitor attractions
- Pubs and restaurants
- Gaming and gambling
- Media and entertainment.

For each of these sub sector, where relevant, we consider one or all of the following key trends as identified by the research:

- New frontiers in technology
- Transformation of people and workforce
- Changing consumer preferences
- Climate and sustainability.

Then, for each sub sector, we offer:

- Risk alerts – areas of evolving and emerging exposures
- Opportunity watch – new openings in changing sub-sector conditions
- Action plan – next steps for your business to consider in light of our research findings.







Where appropriate, we also provide:









- Sub sector-specific case studies
- Focus insights on stand-out sub trends and emerging risks.

How to read this report

You can, of course, read this report in a linear fashion.

Alternatively, by tracking the icons you can read by sub sector, or by trend theme. Alternatively, you can focus on risk alerts, opportunities or action plans, all denoted by their own icon as shown below.

-  Hotels and accommodation
-  Health, fitness and wellbeing
-  Entertainment venues and visitor attractions
-  Pubs and restaurants
-  Gaming and gambling
-  Media and entertainment

-  New frontiers in technology
-  Transformation of people and workforce
-  Changing consumer preferences
-  Climate and sustainability
-  Focus
-  Risk alerts
-  Opportunity watch
-  Action plan





Hotels and accommodation

Hotels and accommodation organisations have faced significant challenges recovering from the impact of the pandemic, with rising fuel and labour costs in a sub sector that is both energy-intensive and relies on the people factor to deliver on customer expectations.

If smarter use of data and automation provides some of the answers, what are the risks to be managed? And when service levels may be undermined by ongoing labour shortages, what surprising ways might brands maintain customer loyalty?





Hotels and accommodation

New frontiers in technology



Leveraging technology to both differentiate and optimise service will become increasingly vital for hotel and accommodation organisations. Technological developments underway or for consideration into the future include:

- **Developing apps** with loyalty programs to attain direct bookings, therefore increasing profitability by sidestepping online travel agencies (OTAs)
- **Using AI** to collect and interpret guest data, map and identify user preferences to create bespoke accommodation packages and targeted marketing
- **Harvesting big data** from internal and external sources to inform revenue management strategies and drive marketing campaigns
- **Harnessing cloud-based property management systems** to reduce investment costs, avoid manual errors, and save time and money, factors particularly pertinent to franchise operators.



Technological advancements mean hotels and accommodation businesses will be growing the already large volumes of customer data and employee accounts they hold.

High profile data security issues illustrate the risks. In February 2022, for example, MGM Resorts suffered a significant breach that comprised the personal information of more than 10.6 million guests.²

Businesses able to ensure data security whilst delivering tech-enabled experiences are likely to triumph into the future, with a recent Deloitte Digital Study suggesting more than 60% of travellers prefer to stay at hotels offering contactless services at check-in and check-out, keyless room entries, and voice assistants.³

² <https://us.norton.com/internetsecurity-emerging-threats-mgm-data-breach.html#>

³ <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/consumer-industrial-products/ca-future-of-hospitality-pov-aoda-en.pdf>

Examples of technology being used to create enhanced user experiences to keep pace with such consumer preferences, include:

- **Embedding ‘virtual assistants’** for hospitality in hotel rooms, reducing the need to call reception for queries or requests
- **Offering augmented reality (AR)** – enhanced, interactive versions of a real-world environments achieved through digital visual elements, such as maps and points of interest, or tours of the property areas, such as the restaurant or gym
- **Using cloud and cognitive technology**, along with AR and virtual reality (VR), to create digital twins of hotels, providing the data to effectively manage systems like waste management, fan movement, security, traffic, and parking
- **Customising environmental settings in rooms** and automating checkout services using Internet of Things (IoT), that is, embedding objects in rooms with sensors, software, and other technologies that connect and exchange data with other devices and systems
- **Investing in recognition technology**, such as that launched in Marriott China,⁴ which shortened check-in time from three minutes or more to less than one. Facial recognition capabilities can also enhance security, prevent unauthorised personnel from entering specific areas, and be used in conjunction with electronic payments to verify guests’ identity. Hotels can use this kind of technology to gain an upper hand on private letting sites that are vulnerable to property listing scams
- **Deploying smart amenities**, such as self-service kiosks, online registration, and options to pre-set amenities within a room, placing the decision-making process in the hands of the guest, as opposed to staff
- **Offering radio frequency identification (RFID) technology**, such as wristbands loaded with room keys, credit card and tickets information ready-to-scan, making it easy for guests to keep their hands free and reduce visits to the service desk for misplaced items
- **Deploying VR tours as an upsell tool**, encouraging interested customers to explore upgraded room types, additional product offerings, food and beverage add-ons, and experience packages as they make their purchasing decisions. The same technology might also support the reduction of last-minute cancellations, with those customers able to visualise their experience potentially proving less likely to abandon their booking.


⁴ <https://www.forbes.com/sites/jennawang/2018/07/24/you-can-now-check-in-with-a-facial-scan-at-marriott/?sh=1cceb383f7a>





Hotels and accommodation

Transformation of people and workforce

 Leisure and hospitality job openings, including those in hotels and accommodation, were already high compared to other industries pre-pandemic and have reached record highs ever since mid-2021. Office for National Statistics figures show in June to August 2022, the total number of vacancies was 470,000 (59.1%) above the January to March 2020 pre-pandemic level, with the largest increases in accommodation and food service activities, and human health and social work, which were both up 83,000.⁵

In the U.K, the industry was one of the biggest beneficiaries of the Coronavirus Job Retention Scheme (CJRS or furlough scheme), which helped to preserve jobs in the industry. Around 2.13 million jobs in the hotel industry were ultimately laid off during the programme, accounting for 18% of all laid-off positions.⁶

Following the pandemic, one in five workers have left the industry in the UK.⁷ Low wages and long working hours have also driven this big exit. As one industry participant told researchers, “We were not overrun with ‘The great resignation’ but post furlough not everyone came back. They tried something else and liked the more regular and sociable hours.” The resulting labour shortages have seen leisure and

hospitality businesses, including those in the hotels and accommodation sub sector, under pressure to increase wages and improve working conditions.

According to Barclays analysis⁸, the industry is amongst those where employees have been getting above-inflation wage increases. Many companies have given raises above the U.K.’s 6.6% National Living Wage hike from April 2022. For example, at the time of our core research, Whitbread was reported as anticipating giving its hourly-paid Premier Inn employees a second raise in the spring, in addition to the 5% it gave them at the end of the previous year.⁹

But wage rises may not be enough to persuade workers to come into or return to the sub sector.

“There are still huge numbers of businesses that cannot recruit the staff they need on the ground. Businesses may wish to consider reviewing their offer to employees beyond wage increases, such as providing accommodation for staff to live in where property locations are remote, or are hard to access due to patchy rural public transport. Or they might look at including monthly transport costs in addition to the salary offer,” says WTW Leisure and Hospitality Practice specialist Nicola Blood & Hospitality Practice specialist Sally Prince.

⁵ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/september2022>

⁶ <https://researchbriefings.files.parliament.uk/documents/CBP-9111/CBP-9111.pdf>

⁷ <https://www.bbc.com/news/business-57817775>

⁸ <https://www.barclayscorporate.com/content/dam/barclayscorporate-com/documents/insights/Industry-expertise-22/HL-Report-2022.pdf>

⁹ <https://www.theguardian.com/business/2022/jan/12/whitbread-plans-to-offset-rising-costs-with-higher-premier-inn-room-rates>



Hotels and accommodation

Changing consumer preferences



Hotels and accommodation businesses must manage reputational damage and therefore patrons' likeliness to choose their brand when things go wrong. This might be when there is bodily injury on a property, if there has been a major incident on the premises, or it might more frequently occur when a customer complaint goes viral on social media.

WTW media and reputational risk specialist David Bennett says, "Whatever the crises, it's essential hotels have strong escalation processes and crisis management in place. This might include regular 'war games' and scenario exercises, through to creating ready-to-go social media post templates. More senior executives need to engage with this work to support frequent, meaningful or even amusing communication with customers in order to build up a store of goodwill amongst consumers."

Bennett adds how brands need to maintain a dialogue with customers that engenders ongoing trust, noting some organisations outside of leisure and hospitality are employing comedy writers to create social media posts. "We may well see more of this type of thinking in hotels and accommodation. Employing specialist writers who post regularly in an authentic voice means when you need to ask your audiences for forgiveness, they're more likely to give it," says Bennett.

On these audiences, Bennett says there is increasing pressure on hotel and accommodation organisations to, "Think about all the eyes," when considering consumer sentiment. The perspectives of employees, shareholder activists, environmental campaigners can all influence customer preference. "Organisations need to think about where the energy might come from on reputational risk, identify the biggest threats and build in that crucial planning and readiness."


To this end, more hotels might consider using technology that offers a clearer view on not simply when their brand is being discussed online, but on the likelihood of this output having traction with consumers. "Certain technologies use algorithms that track conversations in real time, looking both at sentiment and impact. There is 'noise' on social channels all day, so the challenge is not so much to look for the needle in the haystack, but find the needle in the stack of needles. Seeing an issue has been triggered and might catch fire can enable you to be proactive and stave off a full-blown crisis that could impact revenues and share price."

In terms of how hotels can maintain customer good will against continued recruitment crises, Blood expects to see a fresh transparency and realism in customer communications, and has already seen examples of this new approach in action. "Some large



hotel brands are changing their messaging at the point of booking, along the lines of: *We'll do our best to give you the kind of service you're used to, but we're working with fewer people, so things might not be quite as we'd like. Please bear with us.* This levels with the customer, manages their expectations, so helps minimise both the stress on customer-facing staff, potentially freeing up more of their time to deliver better experiences, rather than dealing with complaints."


By being realistic with customers and lowering expectations, hotels may give themselves a greater chance of exceeding them and therefore better protecting their reputations in challenging conditions. As Blood says on communicating difficulties with customers, "Silence fuels the fire."



Hotels and accommodation

Climate and Sustainability



 While climate reporting is now mandatory for some U.K. hotel and accommodation businesses, viewing Taskforce for Climate-related Financial Disclosures (TCFD) requirements (see [Focus: Climate change and leisure and hospitality](#)) as more than a compliance endeavour could offer strategic advantages. This includes appealing to the growing band of investors led by climate considerations, as well as customers and prospective employees who will choose hotels either to stay in or work for respectively, increasingly on the basis of environmental credentials.

Reporting and reducing emissions can also bring cost savings advantages. Energy consumption accounts for between 3%-6% of operating costs for hotels and up to 60% of emissions,¹⁰ so reduction measures can support profitability. In addition, WTW Senior Climate Risk Consultant Fiona Ribbons, points out that, “By integrating climate risk assessments into strategic business planning, hotels are more likely to capitalise on the potential opportunities. For example, if they invest in quantifying the likely long-term physical risks such as flooding, or what measures they’ll need to cool buildings should temperatures rise, they may be able to bring these factors to bear in lease negotiations.”

Ribbons adds that such strategic thinking might also allow for greater resilience, from better contingency planning around what would happen should the

air conditioning fail, or getting ahead of changing consumer demands around single-use plastics for toiletries before competitors, for example.

More hotels and accommodation organisations might look to climate diagnostic tools, modelling factors such as flood risk and the vulnerability of key assets and supply chains to climate-related events, in order to identify and quantify risk and work towards mitigating actions and contingency plans.

WTW Director of Risk Engagement Frederick Gentile says this is where climate diagnostics can prove their worth. “Let’s say you have a network of hotels across the world and the projection for temperatures in certain locations suggests you’ll need to prepare for extreme events. What flood defences and/or cooling measures do you need to take? Is the cost of these modifications and the risks you anticipate justified against expected profitability, or should you be disposing of that asset now? Analytics can put numbers around these questions,” says Gentile.

Analytics can also support decarbonisation in line with TCFD by quantifying energy consumption and defining target reductions, as well as quantifying the impact of measures to reduce energy use, such as LED lighting in hotel rooms, switching off lights and air conditioning when rooms are not in use, monitoring energy usage in heating swimming pools and the like, all of which are moves likely to support profitability.

The growing pressure around reducing emissions is not only coming from regulators and government. During the due diligence stage of the purchase process, would-be hotels and accommodation business investors are becoming more concerned about sustainability practices. Before submitting the deal to the investment committee, investors will increasingly examine carbon reduction strategies and the road to net zero in greater detail. “There will be more pressure and more resource required to understand emissions and create robust transition plans,” says Ribbons.

Blood emphasises the potential reputational perils around ensuring external messaging matches up with the internal story as defined by transition plans, and how successfully they are being implemented. “Being called out for alleged ‘greenwashing’ may be as damaging as not having any effective response to climate change,” she says.

¹⁰ <https://www.pbctoday.co.uk/news/energy-news/hotel-net-zero/99999/>



Hotels and accommodation

Focus: Climate change and leisure and hospitality



It is now mandatory for the U.K.'s largest organisations, including those in the industry sector to adhere to TCFD requirements.¹¹

From April 2022, more than 1,300 of the largest U.K. registered companies and financial institutions have been legally required to disclose climate-related financial information in line with TCFD recommendations. This includes many of the U.K.'s biggest hotel and accommodation businesses, as well as private companies with more than 500 employees and £500 million in turnover.

TCFD requires businesses to disclose climate-related financial information, ensuring they consider the risks and opportunities they face as a result of climate change and create plans defining how the business will transition to net zero.

The leisure and hospitality sector is at risk from climate change. The value of businesses and their assets might be significantly impacted by both physical risks – those brought on by climate change, such as an increase in the frequency and severity of extreme weather events, which could cause damage to the assets and business interruption and increased operational costs for businesses – and transition risks. These arise through the changes in technology, markets, policy, regulation, and consumer perception because of the transition to net zero.



Unlike physical risks, which will have slower impacts on the businesses, transition risks can materialise in more immediate timeframes. A Centre for Risk Studies report¹² predicts in next ten years, transition risks, such as changing regulations, new trade body standards, investor interests, media reporting, and sustainability demands from consumers, will have a materially bigger impact on businesses than physical risks.

Businesses in the leisure and hospitality sector are some of the largest emitters of CO₂, according to research by Savills.¹³ Due to the extensive footprint of hotels, venues, parks and resorts, a large amount of energy is required to maintain lighting, cooling, heating, refrigeration, washing, shuttle cars and buses, lawnmowers, and the like.

Given TCFD requires organisations to have a view on the physical impact of climate change, as well as the risks and opportunities associated with transitioning into a net-zero or below net-zero economy, leisure and hospitality businesses are well-advised to take robust and analytical approaches. This will likely involve adopting evidence based, data-driven methodologies able to translate impacts in business metrics.

¹¹ <https://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law>

¹² <https://www.resources.resilience.com/hubfs/Managing%20Business%20Risk%20and%20Opportunity%20from%20Climate%20Change.pdf>

¹³ https://www.savills.co.uk/research_articles/229130/323468-0

Climate action is now irrevocably a board issue. Its quantification as a risk issue can empower industry leaders to take the informed strategic decisions that will underpin long-term resilience against changing climates.

A poll of approximately 60 attendees of a recent WTW industry event *Climate risk disclosure: Beyond compliance to building value* indicates how some businesses perceive climate risk within their organisation, and where they are at in their climate journey.

On these indicative results, Teresa Long, a Director in the WTW Leisure and Hospitality practice says, “This suggests responsibilities surrounding climate and sustainability risks are often dealt with by different parts of the organisation; finance, legal, sustainability and governance among other business functions. Understanding your collective voice, the corporate goals, where you are and where you want to get to and by when are the first steps in the journey towards an actionable plan.”





Hotels and accommodation

Risk alerts



• Security breaches and technology malfunctions may lead to customer, supplier, and partner data loss, especially during M&As. In addition, Nicola Blood adds there is often a gap between cyber and business interruption (BI) cover, where coverages have been removed. This means more hotels and accommodation providers may need to seek support from cyber wording lawyers and specialist consultants to understand their specific exposures and where insurance might not be the answer. “Lots of hotels are moving towards smart technology. Let’s say someone hacked these systems and this turned off the heating systems and then the pipes froze, causing property damage. So, is this a cyber or property call?”

“The property policy could exclude cyber but the wording might be unclear. This is why it’s becoming more important to clarify the intent, understand the ‘story behind the wording’ and then carry out a gap analysis between where current cyber and BI cover lies,” says Blood.

- Skills gaps in the labour market may lead to increases in costs to employ and train staff.
- Footfall may be affected by unreliable flight services, changing staycation trends, and the rising cost of living. Also, increased preferences for vacation home rentals among younger consumers is creating competition within the industry.
- In the U.K., investors are driving hotels to potentially large future capital expenditure to meet the demands of climate disclosures and the transition to net zero. Also, there are compliance risks from cross-border differences in regulation, and increasing environmental regulations globally.



Hotels and accommodation

Opportunity watch

- There could be potential openings in cyberinsurance in the near future as hotels and accommodation businesses adopt more refined stances to cybersecurity. “While hotels are under pressure to protect their reputations in the face of technological disruption or data breaches, increasingly, we’re seeing a shift in mindset away from not transferring this risk and relying on the insurance market, but investing what would have been premium spend into superior systems, security and controls. Ultimately, should this continue, this could move the insurance market and lead to more competition,” says Blood.
- Effectively balancing technology and human capital can deliver high-quality customer experiences in the face of labour shortages.
- Investments in evolving technologies (IoT, AI, VR) and the metaverse can increase personalisation for customers and secure long-term loyalty. Likewise, investing in technology that alerts business leaders to potentially damaging social media activity will help protect brands and defend customer loyalty.
- Hotels and accommodation businesses should watch environmental, social and governance (ESG) regulatory developments closely and invest accordingly before any regulation comes into effect. This way, they have a potentially stronger chance of protecting their long-term value. Being proactive about sustainable practices can also create a competitive advantage for businesses.





Hotels and accommodation

Action plan: Five climate priorities for risk managers



Risk managers should and can lead take the lead on demonstrating both how climate is a matter of quantifiable risk, and an arena for opportunity. Some actions to consider are:

- 1. Viewing climate through the prism of risk** – setting goals and KPIs and reassuring senior management the business does not need all the answers on managing every risk immediately.
- 2. Working to align the risk management strategy with TCFD** – even if you're operating in a territory where TCFD isn't mandatory, our current experience suggests even where regulators aren't asking for compliance, many investors will.
- 3. Learning more about specific climate-related risks** – use analytics to build nuanced and dynamic understandings of physical and transition climate risk across operations and supply chains. This is likely to put your organisation in a stronger position to optimise its overall risk strategy and engagement with the insurance and risk transfer market.



- 4. Using TCFD to manage supply chain disruption** – TCFD requires companies to report on the three sources of greenhouse gas (GHG) emissions, including indirect emissions occurring in a company's value chain. Working with key supply chain partners to understand and reduce so-called 'scope 3' emissions will support your chain's resilience for the longer term.
- 5. Reminding colleagues how a robust climate story can win tomorrow's talent** – Getting ahead of peers on climate action is one way of equipping your organisation in the fight for the brightest members of Generation Z – those born between the mid to late 1990s and the 2010s – as younger talent interrogates companies' track records on climate change and sustainability. As one respondent told researchers, "Sustainability is top of mind for the bigger players given investor appetites. For the SMEs it's all about survivability but they are very aware of it because they need to recruit people who are increasingly concerned about carbon footprints, waste and social impact."



Health, wellbeing and fitness

Global lockdowns may be over for now, but the legacy of diversifying service offerings and using online channels that characterised the sub sector's response to homebound customers remains. This 'muscle memory' of rapid evolution is being called upon once more as inflationary pressures bite. Which pandemic innovations should health, wellbeing and fitness organisations be institutionalising to thrive into the future, and what steps forward might be opening new areas of risk?





Health, fitness and wellbeing

New frontiers in technology



Most health, wellbeing and fitness organisations' operations moved to online formats in the pandemic, and we can expect customers to increasingly opt for a hybrid membership and virtual training.

We might also expect increasing gamification of fitness, creating adventure-like experiences with storylines that incorporate exercise, developments likely to increase the appeal to younger demographics. We may also anticipate wider use of VR to create computer-generated fitness spaces as part of this gamification.

Patrons accessing services online creates the kind of data businesses can use to deploy marketing budgets in more targeted and effective ways. Data analysis might reveal, for example, the impact scheduling has on customer take-up, experience, or online spending habits.

Such insights might also be used to inform greater personalisation of services, particularly in response to new competitors emerging in online fitness.

While the focus on the customer may become increasingly precise, those offering services may be wise to broaden the areas on which they consult via online channels to include diet and mental wellbeing.

As online access to services persists, organisations should be updating their metrics for measuring

engagement, focusing on website traffic analytics and consumer retention. Beginners are usually conscious or under-confident, so retaining them through an online channel is particularly challenging. However, if executed using data-driven insight, novices can be converted into long-term customers.





Health, fitness and wellbeing

Transformation of people and workforce



While the health, fitness and wellbeing sub sector may not be experiencing the same level of labour shortages as other leisure and hospitality sub sectors, these businesses remain under pressure to motivate and inspire their staff to deliver the service interactions customers seek. On this, WTW experts expect further deepening of the rewards on offer.

WTW Leisure and Hospitality practice specialist Matt Allsop points to experience-based recognition rewards, such as customer-facing staff and senior management sharing once-in-a-lifetime travel experiences. “These sorts of rewards speak to the importance of the employee, giving them something they might never experience otherwise and building in that element of loyalty and engagement,” he says.


Allsop adds leisure and hospitality businesses, including those in the health, wellbeing and fitness sub sector, should grasp how loyalty-generating employee recognition is a “huge factor” in determining an enterprise’s ongoing success. “It can prove incredibly short-sighted to believe it’s the business alone that attracts customers and feeds revenue streams. Often it’s those personal interactions that drive customer loyalty. And if you don’t recognise and reward those delivering that success, they’ll go somewhere else, as will your customers,” he says.





Health, fitness and wellbeing

Changing consumer preferences

 Consumers are increasingly prioritising their work/life balance with a greater focus on wellbeing, including physical health, mental health, and a rounded diet. This is clearly good news, particularly for larger health, fitness and wellbeing businesses. “There’s a degree of confidence people will prioritise spending in this space, even with cost-of-living pressures, giving larger brands a solid cashflow basis to plan around,” says Allsop. He adds that some premium health and fitness clubs are currently seeing their highest ever membership numbers.

That said, there is an expectation inflationary pressures could exert some pressure. However, rather than reducing costs to retain customers, the emphasis should be on extending membership for offer periods and to protect revenues by further diversifying offerings. “Health, fitness and wellbeing businesses have already proven themselves to be capable of evolving. These organisations have learnt through the pandemic that to survive they must continually evolve and cater to different needs and age segments, in particular, to prevent losing market share,” says Allsop.

He goes on to emphasise how this is about maintaining standards and offering premium services and facilities for certain brands, but it’s also about dedicating time and resources to test new ideas and undertake market research. “There’s recognition

among premium brands that the majority of their membership are professionals. These customers’ working lives are now hybrid, mixing home and office working, which is why areas of gym locations are being modified into professional spaces so customers can spend their whole day there. This keeps people in the building, fills classes and maximises food and beverage revenues,” he says.

In a similar vein, even against the backdrop of cost pressures, some health and fitness brands are currently investing even more in their spa facilities. “This gives more customers even more reason to stay in the building longer,” says Allsop.

This kind of thinking is echoed in the hotels and accommodation space, with the rise of the ‘stay for the day’ model where hotels open up their health and wellbeing facilities for non-residents for a day rate.

Thinking again about the normalisation of hybrid working, the location of health, fitness and wellbeing premises may prove increasingly key for footfall, with a potentially growing preference for gyms closer to customers’ homes. This means businesses must evaluate the continued viability of some facilities, particularly if they are in non-residential locations.



Health, fitness and wellbeing

Climate and Sustainability



When it comes to sustainability and climate, whilst acknowledging the energy cost issues impacting other L&H sub sectors, WTW experts urge health, fitness and wellbeing organisations to not neglect areas of evolving risk in this space.

“These organisations need to view climate from alternative perspectives,” says Allsop. “Most are voicing huge concerns on energy consumption, both in terms of the cost of procuring but also in terms of securing sustainable sources of power. While businesses are looking towards alternative heating and energy, such as solar panelling and electric vehicle capabilities, these steps all have implications from a risk perspective, for example, what are the weight load and fire risk impacts of solar panels on rooves? What are the risks around how power is stored?”





Health, fitness and wellbeing

Risk alerts



- Physical clubs might expect ongoing competition from online fitness coaches offering tutorials for free, and from big brands with high quality digital fitness offerings.
- Potential skills gaps may be amplified by greater customer preference for personalised coaches offering a wider range of specialisms which could increase the cost of hiring and training.
- Preference for hybrid training implies traditional ways of measuring customer engagement are insufficient.
- Means of securing alternative energy are liable to introduce new exposures that must be understood and mitigated.





Health, fitness and wellbeing

Opportunity watch



- Online and hybrid accessing of services allows for collection and analysis of more data to uncover correlations between factors such as scheduling and customer habits to support retention and recruitment of loyal customers.
- Delivering on increasing expectations for fitness centres to provide more holistic product offerings – physical fitness, mental fitness, and nutrition advice – can support long-term growth.
- Moves to support diversity, equity, and inclusion in the fitness industry can act as a differentiator and support expansion into new segments.
- Investing in renewable sources of power can support brands' climate stories to customers and investors, as well as manages cost of energy in the longer term.



Health, fitness and wellbeing

Action plan – Five ways to boost worker wellbeing to attract and retain staff



In addition to other leisure and hospitality sub sectors, health, fitness and wellbeing companies rely on customer-facing staff to maintain customer satisfaction and loyalty. How can organisations refine their approaches to employee wellbeing and so support their ability to deliver exceptional customer experiences?

1. **Improve line manager training** – Rebecca Forster, WTW Stress and Mental Health Risk Specialist says the role of line managers is “huge” in improving worker wellbeing. “They have a key role in recognising the signs and symptoms of stress and poor mental health at work. Managing the causes of workplace stress and being able to discuss stress and mental health pro actively and empathetically all require training,” she says.
2. **Identify the other areas for improvement** – Assessing your organisation’s current strategy and arrangements for governing wellbeing at work, plus your workers’ psychological health and safety is essential. This assessment should include understanding how you manage and mitigate workplace stress, and examining your policies and procedures around identifying hazards and

assessing risks to psychological health and safety. As part of this, you might also consider your approach to training and competence, return to work procedures, and how you investigate and manage stress-related incidents. Knowing where workers are currently exposed to harm, and addressing potential claims, is the first step to finding improvements.

3. **Empower workers to look out for each other** – Providing mental health first aid training to members of staff can prove an important way of supporting wellbeing. This involves training workers to recognise when colleagues may be developing a mental health issue, experiencing a worsening of an existing mental health issue, or finding themselves in a mental health crisis. The mental health first aider is trained to provide support, understanding and signposting to appropriate professional help.
4. **Remember, taking better care of workers’ wellbeing doesn’t need to be costly** – There are a myriad of low cost moves that could support worker wellbeing. Forster points to job design and descriptions that might recognise how employees are crucial in creating memorable experiences,

supporting wellbeing by helping employees feel valued and giving them a sense of purpose. Simple customer communications that thank customers for showing patience and respect to employees can support worker wellbeing by fostering a culture of care and a positive employee experience. WTW’s Global Benefits Attitude Survey 2022 shows employees who believe their employer has been successful in supporting wellbeing during the pandemic are more likely to be engaged, productive and to stay. This suggests the benefits of supporting wellbeing can have longer-term benefits on overall employee retention.¹⁴

5. **Investing in worker wellbeing makes good business sense** – Deloitte’s 2022 Mental Health Report suggests the estimated return for employers investing in worker wellbeing is on average £5.30 for every £1 invested,¹⁵ while Forster adds, “There’s evidence to suggest workers experiencing poor mental health are much more likely to be involved in cyber security issues.” A 2020 survey by Egress,¹⁶ for example, indicated stressed employees could be behind four in ten data breaches.

¹⁴ <https://www.wtwco.com/en-US/Insights/2022/06/2022-global-benefits-attitude-survey>

¹⁵ <http://www.2deloitte.com/content/dam/Deloitte/uk/Documents/consultancy/deloitte-uk-mental-health-report-2022.pdf>

¹⁶ <https://www.securitymagazine.com/articles/93921-stressed-employees-behind-4-in-10-data-breaches>



Entertainment venues and visitor attractions

Technology has the power to radically transform customer experiences of entertainment venues and visitor attractions. But cutting-edge technologies introduce new risk frontiers. Meanwhile, physical locations must respond to active assailant and terror threats, some whilst addressing new regulatory frameworks. How can entertainment venues and visitor attractions escort their brands safely into the next phase of their development and, crucially, take the customer-facing people they continue to need with them?



New frontiers
in technology

Focus: The metaverse
and entertainment
venues and visitor
attractions

Transformation
of people and
workforce

Changing
consumer
preferences

Climate and
sustainability

Focus: Terrorism and
active assailant risk – a
board-level discussion

Risk alerts

Opportunity
watch

Action plan: Key risk
questions attractions
and venues need to
answer now



Entertainment venues and visitor attractions

New frontiers in technology



There are a wide range of developing technologies designed to increase efficiencies and enhance customer experiences in the attractions and venues sub sector. These include:

- **Digitising paper-based systems** and using RFID bands to reduce queuing waiting times
- **Blockchain technology** for mobile ticketing at entertainment venues, concerts, live music festivals and stadiums to prevent fake tickets and uncontrolled price gauging, with businesses gaining data insights to offer more personalised customer experiences
- **Using robots to create memorable moments**, such as robots delivering certain elements of service on-site. "I don't think this is something that's likely to be adopted widely, but we might see increased use of robots to deliver fun, novel experiences, as we see in some visitor attractions," says Leisure and Hospitality Practice specialist Sally Prince. The use of robotics for cleaning and vacuuming floors, for example, is one area where Prince expects to see wider adoption within facility management.

- **Institutionalising smart phone technology**, such as fast passes on phones – typically, a limited supply pass that allows guests to skip the long lines for the most popular rides – and ordering food and beverages via phones on sites to continue and evolve. "Experiences seem to be increasingly IT-led in some attractions," says Prince.
- **Greater use of VR and AR** – as recently reported in *The Guardian*¹⁷, attractions such as theme parks are looking to enhance and personalise guest experiences via VR and AR elements.

"We are seeing a rise within sports and entertainment organisations of technology within stadia and events to add value to the client experience. Whether that be accessible betting, guidance or AR. The understanding of how this data is stored and used is of growing importance," says Karl Sawyer a member of WTW's Sports and Entertainment Industry Group. Sawyer adds, "The level of data captured by sports and entertainment organisations is a primary risk concern but almost a requirement in enhancing the customer experience. We'd encourage using data to better quantify or mitigate other risks. Could it help evacuation guidance or aggregating exposures, for example? It's vital businesses be alert to opportunities as well as risk when technology creates new frontiers."


¹⁷ <https://www.theguardian.com/technology/2022/sep/19/each-guest-experience-different-vr-future-theme-parks>





Entertainment venues and visitor attractions

Focus: The metaverse and entertainment attractions and visitor venues

 The metaverse is a virtual ‘white space’ that acts as a blank canvas where people can interact with computer-generated environments, objects, and scenarios, as well as other users. While initially associated with gaming because of the sub sector’s pioneering efforts in this area, its applications have evolved across Leisure and Hospitality. Almost every activity of real life, from concerts, work meetings to graduation ceremonies, have already jumped to the metaverse.

One metaverse trend has been to garner the attention of mature audiences. According to the research conducted by Mack Institute's Collaborative Innovation Program at the Wharton School, University of Pennsylvania on behalf of WTW on the future of leisure and hospitality, one-third of the population in the U.S. has heard of and at least knows a bit about the metaverse.¹⁸ When broken down further by demographic, younger audiences know more about it that older, with more than 50% of audiences younger than 44 knowing at least a little about it. Those that do have some knowledge have positive associations of the idea, such as futuristic, fun, exciting, and cool.

The use of the metaverse, however, raises questions around the future of location, and how to subsequently deal with areas like regulation and compliance, travel security and incident management if businesses need to plan for truly virtual worlds.

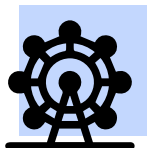
The platform is providing new opportunities in visitor attractions and entertainment venues, allowing customers to visit attractions, attend events, compare products, and engage with brands they may not have had an opportunity to interact with otherwise. In light of this, the likes of Disney has reportedly hinted at working on its own metaverse with a view to improving the entertainment experience in physical and virtual worlds.¹⁹

The metaverse is also providing a new medium for artists to introduce new music and hold concerts. In 2021, pop artist Ariana Grande held a metaverse concert on online video game Fortnite that attracted 1 million live viewers at its peak. Meanwhile, rapper Travis Scott performed for 12 million fans in a virtual concert on Fortnite that ultimately had more than 25 million unique views.²⁰

¹⁸ US Digital Trends: 2022 – Spotlight on the Metaverse 2022, MACK


¹⁹ https://fa.news/articles/disney_hints_at_the_metaverse_with_virtual_reality_patent-94841/

²⁰ <https://www.gfmag.com/magazine/may-2022/building-metaverse>



Entertainment venues and visitor attractions

Transformation of people and workforce

 In common with other leisure and hospitality sub sectors, entertainment venues and visitor attractions are facing labour shortages. However, the health and safety implications are particularly concerning in this area. Many recreational facility activities can endanger the safety of patrons and staff, resulting in harm and even death, especially if equipment is not properly maintained or if the right safety precautions and training protocols are not in place, particularly in situations when there are large crowds.

Employee fatigue is a fundamental health and safety concern in the sub sector as long hours are often required, including late nights or overnight shifts. The risks here may be heightened where there are fewer staff performing roles. As Prince points out, “Theme parks are seeing engineers not returning to the sector after the pandemic, often because they don’t want to work nights, especially as there are alternative jobs in different sectors that don’t require night shifts. This is compounded by new staff demanding higher salaries.”

Throughout leisure and hospitality, our research identified a sense of executives feeling their recruitment efforts have focused excessively on compensation when potential hires may want an

assortment of non-financial benefits, such as clear career paths, skills and cross-training opportunities to stay abreast of technological change, and a congenial and responsible corporate culture. Importantly, workers also want more lifestyle choices having had a taste of flexible working throughout pandemic lockdowns.

The employee experience (EX) is now crucial to talent recruitment and retention. WTW’s High Performance Employee Experience (HPEX) model helps identify those aspects of employee experience that matter most to employees.²¹ We’ve seen how organisations with high performance may be categorised as those including a strong sense of purpose, delivering individual growth and reward opportunities and offering connection between people and leaders, amongst other factors.


This suggests attractions and venues need to create work that feels more meaningful as part of their EX, as well as establish robust succession planning to discourage talent losses for non-monetary reasons, while supporting rapid technical upskilling of existing staff to keep pace with constant technological change.

²¹ <https://www.wtwco.com/en-US/Insights/2019/12/how-to-measure-ex-and-build-a-path-forward>



Entertainment venues and visitor attractions

Changing consumer preferences

 Entertainment venues and visitor attractions must be aware that maintaining the allure of in-person entertainment will likely mean leveraging highly personalised consumer experiences whilst reflecting ageing populations.

In the U.K., for example, one in four people are projected to be aged over 65 by 2050.²² For long-term success, leisure and hospitality businesses, including entertainment venues and visitor attractions, must adapt to meet the needs of this demographic.

Over 65s also typically enjoy an increased amount of disposable income.²³ However, many visitor attractions and other leisure and hospitality businesses still face an opportunity cost by simply not considering the demographic as a potential target audience for their offerings.

This may be down to a lack of awareness of the potential of this age group, a lack of understanding around the potential of an offer not being attractive to older customers, fears around increased health and safety risks, or access and mobility considerations.

However, those attractions and venues seeking to stay ahead should strategically invest in areas such as in safety, access, and mobility capabilities on-site, and direct some of their marketing efforts to channels likely to be viewed by older demographics.

²² <https://www.un.org/en/global-issues/ageing#:~:text=By%202050%2C%20one%20in%20four,be%20aged%2065%20or%20over>

²³ https://kam-media.co.uk/spending_power_of_over_65s/#:~:text=Over%2065s%20account%20for%20roughly,50%2D64%2Dyear%20olds



Entertainment venues and visitor attractions

Climate and Sustainability



Younger age groups are also likely to be a key segment for visitor attractions and entertainment venues, with this demographic developing and strengthening their relationships with brands based on ethical or environmentally sustainable considerations. This means attractions and venues are well-advised to prioritise sustainability and climate action beyond any compliance or cost efficiencies and incorporate this at a strategic level.

Merlin Entertainments, for example, states it recognises operations have an effect on the environment and managing this effectively is in line with its strategic goals and is essential for sustainable success.²⁴

²⁴ <https://www.merlinentertainments.biz/responsible-business/>



New frontiers in technology

Focus: The metaverse and entertainment venues and visitor attractions

Transformation of people and workforce

Changing consumer preferences

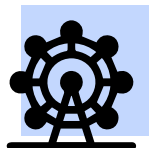
Climate and sustainability

Focus: Terrorism and active assailant risk – a board-level discussion

Risk alerts

Opportunity watch

Action plan: Key risk questions attractions and venues need to answer now



Entertainment venues and visitor attractions

Focus: Terrorism and active assailant risk – a board-level discussion



“Active assailant risk and/or terror threats are very much top of mind in the boardroom of visitor attractions and entertainment venues,” says WTW Risk Advisory specialist Patrick Rogers. “The vocabulary may vary depending on the territory, but the risks to be managed and the mitigating measures are often the same.”

Rogers describes a high level of concern and nervousness at board level across territories globally, with continued incidents of ‘active shooters’ or assailants otherwise armed, and also in light of new counter-terror legislation in the U.K, with the planned *Protect Duty*²⁵ requiring certain publicly accessible locations to implement security measures.

Regardless of any regulatory obligation, many venues and attractions are well-advised to consider how effective their current abilities to disrupt assailants before they can act. These measures should aim to:

- **Deter** – using fences, lights and signage, or security guards to show your business is not a soft target and to deter potential assailants
- **Detect** – training your staff to spot suspicious behaviour and installing CCTV and alarms will together boost your chances of detecting intruders and nefarious activities
- **Delay** – measures such as fencing, vehicle barriers, roller shutters and security doors can provide vital extra minutes that could save lives in the event of a terror or active assailant event
- **Mitigate** – taking steps such as applying anti-blast film to windows can minimise the damage if an attack happens
- **Respond** – making sure you have tried and tested incident response and crisis management plans ready for action, including first aid and links to emergency services can help reduce harm in the event of an attack.

On the issue of detection, new facial recognition technology can support attractions and venues in picking up on potential security threats before they happen. However, this technology has been associated with public concern. “There has been something of a backlash, with worries over data privacy and surveillance. However, some of these concerns are based on misconceptions of how facial recognition and artificial intelligence-enabled technologies work. Either way, there could be some reputational risk venues using facial recognition that need to be managed,” says Rogers.

He also notes the value-add of these kinds of technologies in providing data to better manage crowds. “It can provide a treasure trove of trends data capable of informing other areas of risk management and consumer spend,” he says.

Visitor attractions and entertainment venues able to combine technology with a culture of security across sites will be better-placed to minimise the risk around active assailants/terror incidents. Steps that work to create a culture of security include:

- **Training for staff**, making sure the people responsible for responding to a terror incident have the right capabilities
- **Providing action cards** reminding people what they need to do and when in the event of an active shooter or terror incident
- **Promoting internal and business community security forums** or WhatsApp groups, so best practice is better understood and socialised
- **Being discreet in your external communications**, so you do not give away information potentially useful to terrorists
- **Carrying out regular drills and crisis management exercises** to test each element of your plans and ensure individuals’ roles and responsibilities are understood.

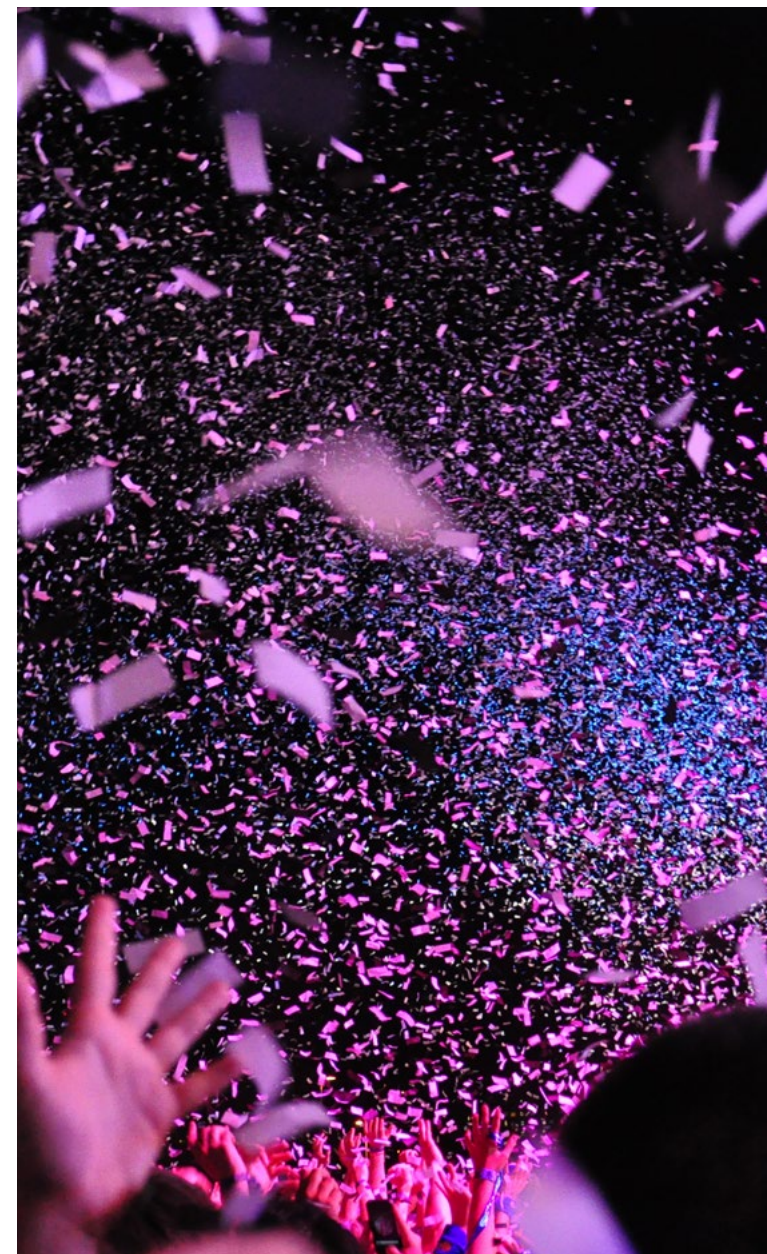
²⁵ <https://www.gov.uk/government/news/government-publishes-protect-duty-consultation-findings>



Entertainment venues and visitor attractions

Risk alerts

- ⚠ The metaverse introduces new risks around leveraging of data, digital formats, and VR. This opens questions around where things are happening in terms of legal jurisdiction and who regulates both transactions and disputes in the metaverse. Existing risks around cyberattacks, fraud and theft of data will be exacerbated as the metaverse develops.
- The risks to metaverse users and those responsible for maintaining virtual spaces are not fully understood and could create long-term health or mental risk issues, for example, impacts on adolescent brain development, novel eye, hand, mental, or physical conditions and coordination issues.
- We might expect further disruption to real world venues and entertainment spaces, including an impact on travel and property markets, from competition from growing in-home entertainment and virtual options. The emergence of the metaverse may also create new socio-economic and political risks, for example, creating conditions for widespread addiction or making metaverse activities relevant to the changing nature of geopolitical power.
- While there may be sustainability and climate-related efficiencies created through expanding virtual events and entertainment, businesses need to consider the cost of upgrading technology and the data computing power required to process and store the data. This includes the costs and emissions generated by running and cooling large data centres operated by third party cloud-based data managers.





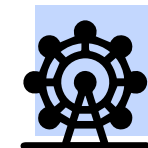
Entertainment venues and visitor attractions

Opportunity watch



- The time is right for some businesses to experiment with potential applications and invest in emerging technologies, including the metaverse, and assess the potential of an extended reality for products and target audiences. Defining the risks of the metaverse to develop a comprehensive internal guide on tackling incidents and regulations could differentiate your metaverse presence and boost claims defensibility.
- Having the talent and skills to understand the opportunity and potential, and to keep pace with the rate of development in the metaverse, will require rethinking strategies for technology talent. Those able to differentiate their EX will be better placed to win the talent war by thinking more holistically about what they offer current and future employees beyond financial remuneration.
- The metaverse opens up new opportunities to cater to different demographics and meet their varying expectations.
- Considering the different sustainability and climate impacts in terms of the physical and technological customer engagement can ensure the business is more effective in meeting impact and improvement goals.





Entertainment venues and visitor attractions

Action plan: Key risk questions attractions and venues need to answer now



- How might the future of your business be impacted by the metaverse? Are there strategic changes the business needs to take to meet goals, and are the risks associated with the strategy being considered?
- Do you understand the talent resources available to progress ambitions associated with growing appetites for virtual events and entertainment, and the potential skills gaps that need to be addressed? Do you have an EX strategy designed to win the tech talent war?
- As the business moves more into virtual entertainment and events, do you understand the implications for business continuity? Do you need to change processes and risk management approaches to keep pace?
- What policies and procedures do you have in place to keep both workers and customers safe in the metaverse extensions of physical experiences?
- Do you know where you are on your climate and sustainability journey and what you need to do to reach organisational goals?



Pubs and restaurants

The COVID-19 pandemic brought out the ingenuity of pubs, restaurants, bars and cafes in using technology to deliver more streamlined experiences, the prevalence of QR codes to access the menu and place orders being one example. The sub sector is also collating, analysing greater amounts of data to increase revenues and remain competitive.


But what are the implications of increasingly data-driven models and how can pubs and restaurants exceed customer expectations in the face of labour shortages, all the while responding to their demands for more sustainable practices?





Pubs and restaurants

New frontiers in technology

 Increasingly, data in pubs and restaurants originates from internal point-of-service systems, inventory, reservations, and staffing systems, or from external sources such as reviews and competitor analysis.

Exploiting this information effectively might involve using point-of-sale data to streamline menu offerings, focusing on bestsellers in order to enjoy improved profitability, the need for fewer staff, and fewer items from suppliers.

Technology is also supporting pubs and restaurants in attracting patrons online, and for customers to benefit from hassle-free reservations, contactless ordering systems.

- Further innovative application of new technologies in pubs and restaurants highlighted by forward thinking inc researchers include:
 - **The use of robotics to counter labour shortages** – Miso Robotics designed a series of robots capable of handling a range of repetitive tasks at fast food restaurants including a bot capable of cooking 300 burgers a day, while Bella Italia is trialling table service robots made by Chinese company Pudu in one of its Centre Parcs restaurants.

- **Blurring of the lines between restaurants and supermarkets** – Robot.He restaurant within Chinese supermarket Hema, for example, enables customers to choose raw ingredients in the supermarket which is then cooked and served in the on-site restaurant. The process supported by use of QR codes.
- **Positive inventory management** – Too Good To Go app lets customers buy and collect 'Surprise Bags' of food at a competitive price directly from businesses thereby preventing food waste.




²⁶ <https://restaurant.eatapp.co/blog/restaurant-data-and-analytics-increase-revenue>



Pubs and restaurants

Transformation of people and workforce

 While automation might improve customer services, the next challenge is to use technology to make operations more efficient while simultaneously augmenting the service offering by staff, better utilising their skills and motivating these people to deliver on redefined experiences. As one respondent told researchers, “Human capital and the experience they help create are critical differentiating assets. You are selling not a commodity but an experience/theatre, delivered through your people.”

Self-pay tablets mounted on tables at roughly 8,000 U.S. eateries such as Chili’s, Olive Garden, and Outback Steakhouse and not having to wait for servers can accelerate the dining experience by six to nine minutes per table. This automation can free staff to deliver improved customer experiences and/or turn over covers more speedily.²⁷ Staff can then focus on creating a memorable dining experiences through their waiting speed and quality, and interactions with customers to differentiate from competitors.

In finding the staff to create differentiated experiences against widespread labour shortages, some pubs and restaurants in the U.K. have joined other leisure and hospitality sub sectors in raising wages above the 6.6% National Living Wage increase from April 2022, with pub company Marston, for example, lifting hourly wages for kitchen, bar, and front-of-house personnel by 7.7%.²⁸

However, continuing wage increases are unsustainable. Businesses might consider aligning compensation strategies with how far staff are meeting customers’ experiential expectations and redefine the value of their staff’s work to differentiate their employee experience from competitors.




²⁷ <https://www.fsrmagazine.com/research/inside-rise-restaurant-automation>

²⁸ <https://www.shropshirestar.com/news/business/2022/03/25/marstons-raises-pay-for-hourly-paid-workers/>



Pubs and restaurants

Changing consumer preferences

 Lockdowns have led consumers to become accustomed to using online versions of traditional leisure activities, including those offered by pubs and restaurants. The sub sector found many ways to re-imagine and re-create their services and products in an online and on-demand format. The challenge now is to institutionalise these improvements on digital and omnichannel business models.

The rise of delivery intermediaries and flexible kitchen spaces is fundamentally changing consumption habits. The convenience of having food delivered at your doorstep has marked a pivotal shift in the way restaurants structure their business. According to Statista, in the U.S. online sales of leading e-commerce and delivery intermediaries is expected to rise between 2020 and 2025.²⁹ Restaurants must win

visibility on popular e-commerce channels to enjoy the higher revenues from this, cater for more people than a venue could hold and connect online with a wider demographic.

Shifting operations online can require significant investment. Restaurants must invest in cost-effective ways to scale up capacity to account for online orders, especially at high traffic times, along with fast delivery capabilities, either internally sourced or through partnerships with food delivery platforms.


It is also important to consider user experience on these platforms, as the pandemic exacerbated the phenomenon of analysis paralysis, where the stress of making choices can cause customers to simply abandon their purchase altogether. A frictionless interface, curated assortments of products, and bespoke categories based on interests are all ways to ease this anxiety.

²⁹ <https://www.statista.com/statistics/1252967/growth-in-e-commerce-and-delivery-intermediary-sales-us/#:~:text=In%20the%20United%20States%2C%20online%20sales%20of%20the,sales%20over%20this%20time%20period%2C%20at%20146%20percent.>



Pubs and restaurants

Climate and Sustainability

 The Deloitte Consumer Survey 2021 suggests the need for standardised and transparent sustainability practises across their entire value chain.³⁰ For example, The Restaurant Group³¹ collaborated with the Sustainable Restaurant Association to create innovative dish designs and ingredient combinations to reduce food waste. The company eliminated plastic straws from its operations in 2020 and has started using hardwood cutlery for all deliveries, which has further reduced reliance on single-use plastic.

Recent research by WTW's Food and Drink practice³² highlights the role of partners across supply chains in reducing overall emissions, identified as 'scope 3 emissions' under TCFD. As one food manufacturer told researchers, "We're aiming to reduce our carbon footprint, but we're a major user of gas, electricity and diesel. Some plants have solar panels and combined heat and power sources and we've introduced electric vehicles to start replacing diesel trucks."

The United Nation's Sustainable Development Goal (SDG) 12.3 advocates for the reduction of food waste (FW) and food loss (FL)³³ along supply chains to achieve sustainability by 2030, especially at the retail and consumption levels. There also is a push from regulators to ban single-use plastics worldwide, Styrofoam (polystyrene) food packaging, plastic bags in food service, and plastic straws.

The mismanagement of substantial amounts of food and other waste can pose risks to local ecosystem and biodiversity. New or stricter waste regulations, especially related to using plastics, can pose risks to all types of leisure businesses.

Organisations need to focus on how to break away from the 'take make waste' approach – the basis of the linear economy wherein raw materials are collected, turned into briefly used products which are then discarded – and change business models, processes, and products to build a sustainable supply chain while reducing, reusing, and recycling waste.



³⁰ <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-the-leisure-consumer-2021.pdf>

³¹ <https://www.trgplc.com/es/environment/>

³² <https://www.wtwco.com/en-GB/Insights/2022/11/maintaining-resilience-and-growth-in-volatility-in-the-food-and-drink-sector>

³³ <https://www.stopfoodlosswaste.org/issue>

Pubs and restaurants

Risk alerts



- **An increased** adoption of technology can lead to consumer fears over data use and security. Our survey reveals 46% and 64% of customers in the U.K. and U.S. respectively are at least somewhat concerned about their data being collected by companies, and only 5% and 8% explicitly support (see figures 2 and 3).
- **Skills gaps** in the labour market could lead to further increases in costs to employ and train staff, impacting profitability.
- **Customer loyalty** is at risk amidst increasing data collection without clear consent and communication.
- **Not having a clear narrative** on your organisation's sustainability story could inflict reputational damage and act as a negative differentiator.





Pubs and restaurants

Opportunity watch




- By optimising user interfaces throughout the touchpoints of the customer's purchasing journey, including creating loyalty through digital rewards and offers, restaurants can make the most of the departure from traditional, linear and more predictable online order experiences.
- With a tight labour market in the aftermath the Brexit and the pandemic's so-called 'Great Resignation', pubs and restaurants should look to leverage technology to free and optimise labour resources and control the costs being passed on to customers, anticipating continued pressure on their ability to spend on L&H.
- Tying employee incentives and compensation to service quality can differentiate pubs and restaurants as employers of choice while creating a culture where customer expectations are exceeded.
- Moving quickly or pre-emptively on legislation around packaging and waste can act as point of strategic differentiation.



Pubs and restaurants

Action plan: Five ways leisure and hospitality businesses can become an employer of choice beyond wage rises

 We call on insights from WTW research into employee experience and wellbeing³⁴ to consider five alternative ways to become an employer of choice.

- 1. Think more widely on worker wellbeing** – WTW insight suggests worker wellbeing is one of the key drivers for their loyalty. We think of wellbeing as having four key elements: physical, emotional, social and financial. What levers might pull to support workers' physical wellbeing, for example, such as accommodating phased returns to work?
- 2. Support financial wellbeing beyond what you pay** by signposting staff to benefits or advisory services likely to support financial wellbeing overall.
- 3. Inspire pride and connection** – Our research indicates the best companies, in their employees' eyes, excel by inspiring connection to mission and purpose and engender deep trust in senior leadership. Focusing on enhancing and promoting the link between the overall purpose of an

organisation to the work employees do is an opportunity to enhance EX by enabling employees to feel part of a larger purpose beyond a focus on day-to-day tasks.

- 4. Celebrate success and understand what matters to your workers** – Challenging and sometimes hard-to-fill roles in leisure and hospitality can sometimes feel wholly transactional between worker and employer. Sharing and celebrating stories about personal contributions to morale, productivity or health and safety can engender a sense the relationship is deeper than a straight swap of labour for money.
- 5. Create an environment where workers can be comfortable being themselves** – Social wellbeing is about being connected, understanding how to interact well with others by accepting diversity, being inclusive, knowing how to support and collaborate with others. Ensuring workers feel comfortable bringing their whole selves work can help differentiate your organisation in a competitive labour market.

³⁴ 1. <https://www.willistowerswatson.com/en-GB/Insights/campaigns/breakthrough-research-on-employee-experience>
2. <https://www.willistowerswatson.com/en-GB/Solutions/wellbeing>



Gaming and gambling

The gaming and gambling industry fared well during the pandemic as people moved from socialising and in real life events to the online world. However the cost-of-living crisis could hamper strategic plans for growth and expansion as consumers consider how they spend their reduced disposable income.

Challenges securing cyber cover and keeping pace with consumers' shifting preferences while caring for the psychological safety of staff are defining the near future for gaming and gambling businesses.



New frontiers
in technology

Transformation
of people and
workforce

Focus: Mental wellbeing
and L&H – Exceeding
customer expectations,
defending claims

Changing
consumer
preferences

Focus: Experience
shifts – potential
impact on gaming and
gambling

Climate and
sustainability

Risk
alerts


Opportunity
watch

Action plan: Five 'red
flags' to take down before
approaching markets for
cyber cover



Gaming and gambling

New frontiers in technology

 Due to the nature of their operations, gaming and gambling businesses hold a high level of sensitive personal information across multiple jurisdictions. These businesses need to be conscious of the potential impact associated with data breaches that could influence customer loyalty.

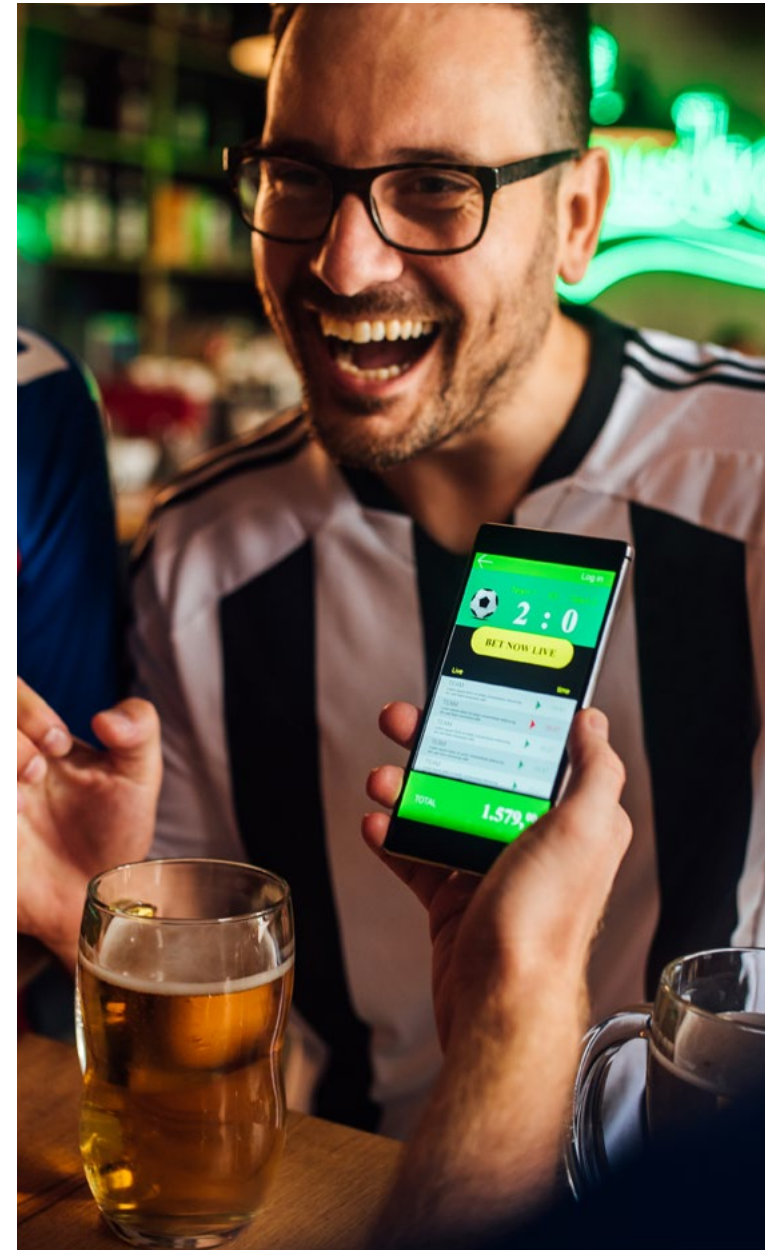
In common with other leisure and hospitality businesses, one of the greatest threats to gaming and gambling organisations is from ransomware attacks, whereby hackers implant malicious software into systems to block access until a sum of money is paid. “Ransomware can mean significant losses for many businesses, but in leisure and hospitality organisations and particularly online gaming and gambling businesses, they’ll face considerable business disruption in the event of a ransomware attack. Also, as these companies typically hold a lot of personal information and financial details, they can be really exposed from a data liability perspective,” says Teresa Long, a Director in the WTW Leisure and Hospitality Practice. Long adds that should breaches occur, in the highly competitive gaming and gambling space, income losses can hit quickly and endure.

WTW cyber specialist Olivia Lovitt says there is a high degree of variance between organisations’ maturity in terms of cybersecurity, including those in gaming and gambling. In terms of cyberinsurance, there are two further factors impacting gaming and gambling

companies, namely, the marking by insurers of these organisations as “challenging”, according to Lovitt, and the end of ‘silent cyber’. “Gaming and gambling is seen as a high risk industry from a cyberinsurance perspective. They typically hold a high level of personal data and they are generally reliant upon computer systems to process transactions. Should they suffer a cyber incident, they could be exposed from a privacy perspective and any disruptions to the availability of their computer systems may adversely affect sales,” says Lovitt.

Silent cyber, meanwhile, refers to the past tendency to cover cyber as part of other policies. With cyber now often expressly excluded, gaming and gambling companies are under pressure to understand where their cover gaps lie and to fill them with stand-alone policies.

Here, Lovitt cautions that first impressions last. “Businesses need to get their house in order from an IT maturity perspective. Without ever having previously purchased cyberinsurance, we would never recommend going to market before running a cyber insurability assessment with your cyber broker. Otherwise, organisations are likely to get an outright ‘no’ from insurers, and even if they go away, work to meet the minimum standard of IT controls insurers expect, and try again, that first impression can leave something of a bad taste in insurers’ mouths. They may still find it a lot harder to get cover,” she says.



New frontiers
in technology

Transformation
of people and
workforce

Focus: Mental wellbeing
and L&H – Exceeding
customer expectations,
defending claims

Changing
consumer
preferences

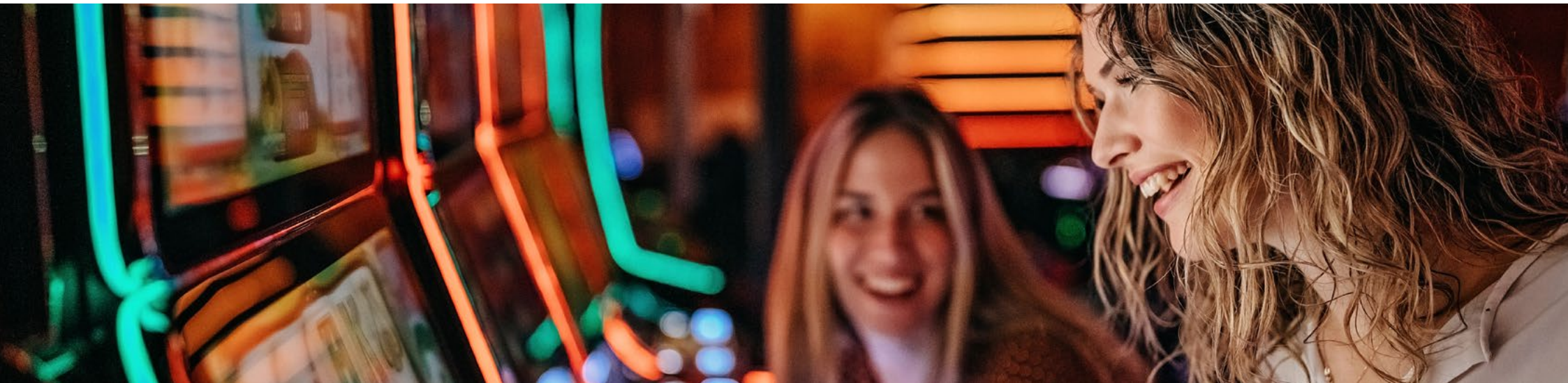
Focus: Experience
shifts – potential
impact on gaming and
gambling

Climate and
sustainability

Risk
alerts

Opportunity
watch

Action plan: Five ‘red
flags’ to take down before
approaching markets for
cyber cover



On exactly what needs to be covered, Lovitt advises thinking more widely about the impact of a ransomware attack. “It goes much further than the ransom demand, for example, a certain amount of bitcoin. It’s about the event management, the first response, the IT support you’ll need, forensics, legal and PR specialists to help you deal with the event.”

Lovitt also highlights cyber is still a new purchase for some organisations and therefore the importance of these companies reviewing and understanding what their exposures might be and what cyberinsurance can cover. Says Lovitt, “There is still an educational aspect needed in this space, with work to be done by brokers to explain to clients the complexities of cyber coverage. It can often go further than data breaches and business interruption. Cyber policies are generally not off the peg. Instead, they’re bespoke with cross-references to the specific needs of the

company. Policies can be moulded to risk exposures and appetite.”

Lovitt advises realism and collaboration when preparing to go to markets, “Because insurers are asking for a great deal of highly nuanced and detailed technical information, risk managers will need to get stakeholders across their organisation on board to complete their submissions to insurers.” She also suggests early engagement, planning for submissions to both take time and to involve “a lot of back and forth.”

In a market where cover may well be characterised by significant deductibles, potentially leading to the business questioning the worth of cyber cover, thorough quantification of cyber risk that provides actuarial forecasting around how often will events likely occur and when there is an event, how big

might it be and how much will it cost may well prove invaluable. “Accessing data and real insight that is constantly looking at what’s happening and the market response through your business lens can inform what your exposures really are and what limits you should be looking at,” says Lovitt.

Being able to articulate risk via a detailed presentation so insurers can have confidence in submissions is becoming “almost mandatory”, says Lovitt, adding, “They want to understand in detail your approach to cyber risk.”

This may well involve proving the business has fulfilled the minimum IT controls, demonstrating the level of cyber maturity insurers will need to see before even considering offering cover. (See [Action plan: Five ‘Red flags’ to take down before approaching markets for cyber cover.](#))



Gaming and gambling

Transformation of people and workforce



In common with other areas of the sector, some workers in the gaming and gambling sub sector have seen significant pay rises. In the U.S. the news of a '\$100m pay rise' for some Seminole Gaming casino workers made headlines.³⁵

"The growing importance of technology in the gaming and gambling sector is impacting the workforce of the future," says Teresa Long, a Director in the WTW Leisure and Hospitality Practice, "The war for talent is making it more difficult than ever to attract and retain talent, and the technology space is fiercer than most. As consumer expectations increase and develop in terms of user experience, in order to keep pace, recruitment needs to look to talent in the wider technology industry, and for some roles the media industry. She adds changes in how talent is hired will mean employers need to evolve recruitment processes to ensure employers can meet these demands, for example, rather than hiring permanent members of staff but hiring talent for a particular project or piece of work in line with the growing gig economy.



³⁵ <https://www.cnbc.com/2022/09/13/hard-rock-to-spend-100-million-to-raise-employees-wages.html>

New frontiers in technology

Transformation of people and workforce

Focus: Mental wellbeing and L&H – Exceeding customer expectations, defending claims

Changing consumer preferences

Focus: Experience shifts – potential impact on gaming and gambling

Climate and sustainability

Risk alerts

Opportunity watch

Action plan: Five 'red flags' to take down before approaching markets for cyber cover



Gaming and gambling

Focus: Mental wellbeing and L&H – Exceeding customer expectations, defending claims

Many customer-facing workers in leisure and hospitality are responsible for delivering standout experiences capable of inspiring loyalty whilst sometimes facing threats to their psychological health and safety at work. This is particularly true when they may be working unsociable hours, or are in situations where they may be dealing with disappointed, distressed, or potentially violent customers.

The cost of poor mental health to U.K. employers overall amounted to £56bn in 2020-21,³⁶ but arguably it makes particularly good business sense for leisure and hospitality businesses to ensure their workforce is mentally fit.

Aside from the human cost, poor mental health of your workforce can be expensive, inhibit your organisation from achieving its strategic objectives and, where work is a contributing factor, leave your organisation exposed to claims. In 2020/21, stress, depression or anxiety accounted for 50% of all work-related ill health cases in the U.K.³⁷

Also in the U.K., organisations have a legal duty under the *Health and Safety at Work Act 1974* to take care

of the health, safety and welfare at work of their employees.

The psychological risks at play here can relate to the work environment, how work is organised, or social factors at work that, if not managed, can lead to employees experiencing work-related ill health such as stress and poor mental health.

All of this means employee wellbeing is not only a matter for HR, but also a risk management issue.

To reduce the likelihood and impact of claims on the basis of mental harm, leisure and hospitality organisations are well-advised to keep under review how effectively they are doing the following:

- **Identifying, reducing and/or eliminating workplace stressors** at source in line with occupational health and safety principles
- **Uncovering the educational needs** of leaders and managers to support good psychological health and safety at work
- **Fostering a culture that promotes healthy, high-performing working environments** with lower levels of attrition and absenteeism
- **Adopting a proactive approach** to help protect your organisation from employer's liability and tribunal claims
- **Developing a holistic strategy for wellbeing** encompassing prevention, early intervention and recovery
- **Showing your commitment to ensuring compliance with regulations** and legislation relating to the health, safety and wellbeing of your people, where



³⁶ Mental health and employers: The case for investment – pandemic and beyond. Deloitte, March 2022 <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consultancy/deloitte-uk-mental-health-report-2022.pdf>

³⁷ Work-related stress, anxiety or depression statistics in Great Britain 2021. HSE, December 2021 <https://www.hse.gov.uk/statistics/causdis/stress.pdf>



relevant, in alignment with the recognised global framework for managing psychological health and safety at work and psychosocial risk – ISO45003.

“Leisure and hospitality businesses should prioritise identifying the risks and implement control measures to protect the psychological health and safety of workers. Any organisation making the mistake of thinking this issue is focused on people with diagnosed mental illness, as opposed to talking about everyone’s mental health needs to update their perspective,” says WTW stress and mental health risk specialist Rebecca Forster.

The cost of labour turnover and presenteeism (working while unwell) associated with poor mental health increased by 25% since 2019, with presenteeism

costing U.K. businesses up to £27.6bn.³⁸ Within the leisure and hospitality sector, working while ill will undoubtedly affect worker morale and the ability to create positive and memorable customer experiences.

At a strategic level, this might mean including employee wellbeing factors such as psychosocial risks in the workplace on the risk register. Psychosocial risk is about how work-related factors may have an adverse effect on a worker's psychological wellbeing which might arise from factors such as poor job design, conflict with a supervisor, or unrealistic expectations that could cause a worker to experience psychological stress. Once identified at an organisational level, psychosocial factors can then be monitored and mitigated accordingly.

“This is about documenting, recording, having processes to cascade best practice throughout the business and deal with concerns, demonstrating your commitment to workers’ health and safety. This is your first line of defence against claims should you face them,” says Forster.

Forster also highlights the role of worker psychological wellbeing in the fight for labour and talent, “This is part of retaining staff now but also looking ahead — future generations will be simply unwilling to work for companies that don’t look after their psychological wellbeing,” she says.

³⁸ <https://mhpp.me/cost-of-poor-mental-health-to-employers-rises-by-25-since-2019/>



New frontiers in technology	Transformation of people and workforce	Focus: Mental wellbeing and L&H – Exceeding customer expectations, defending claims	Changing consumer preferences	Focus: Experience shifts – potential impact on gaming and gambling	Climate and sustainability	Risk alerts	Opportunity watch	Action plan: Five ‘red flags’ to take down before approaching markets for cyber cover
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Gaming and gambling

Changing consumer preferences



On-site casinos in the gambling sector suffered greatly during the pandemic. With the reduction in air travel, destination casinos were frequented less, and people turned to online gambling. However, online casinos may seek to leverage their offer of greater privacy and vibrant experiences to win back and retain their customers.

On-site casinos can consider integrating virtual elements in their venue and leverage the social element lacking from their online counterparts. Online casinos, on the other hand, must continue upgrading their games to retain players.

As in other leisure and hospitality sectors, social interaction remains a key factor in why customers choose in-person gaming and gambling over an online experience, therefore operators with physical assets need to ensure that customer experience remains a strategic focus.



New frontiers in technology

Transformation of people and workforce

Focus: Mental wellbeing and L&H – Exceeding customer expectations, defending claims

Changing consumer preferences

Focus: Experience shifts – potential impact on gaming and gambling

Climate and sustainability

Risk alerts


Opportunity watch

Action plan: Five ‘red flags’ to take down before approaching markets for cyber cover



Gaming and gambling

Focus: Experience shifts: Potential impact on gaming and gambling

 People are always looking for the next big thing; they want to be challenged with exciting experiences that will bring value to their lives. One of the biggest ongoing consumer trends has the prioritisation of experiences over things. A study by Harris Group found 72% of millennials prefer to spend more money on the former, rather than the latter.³⁹

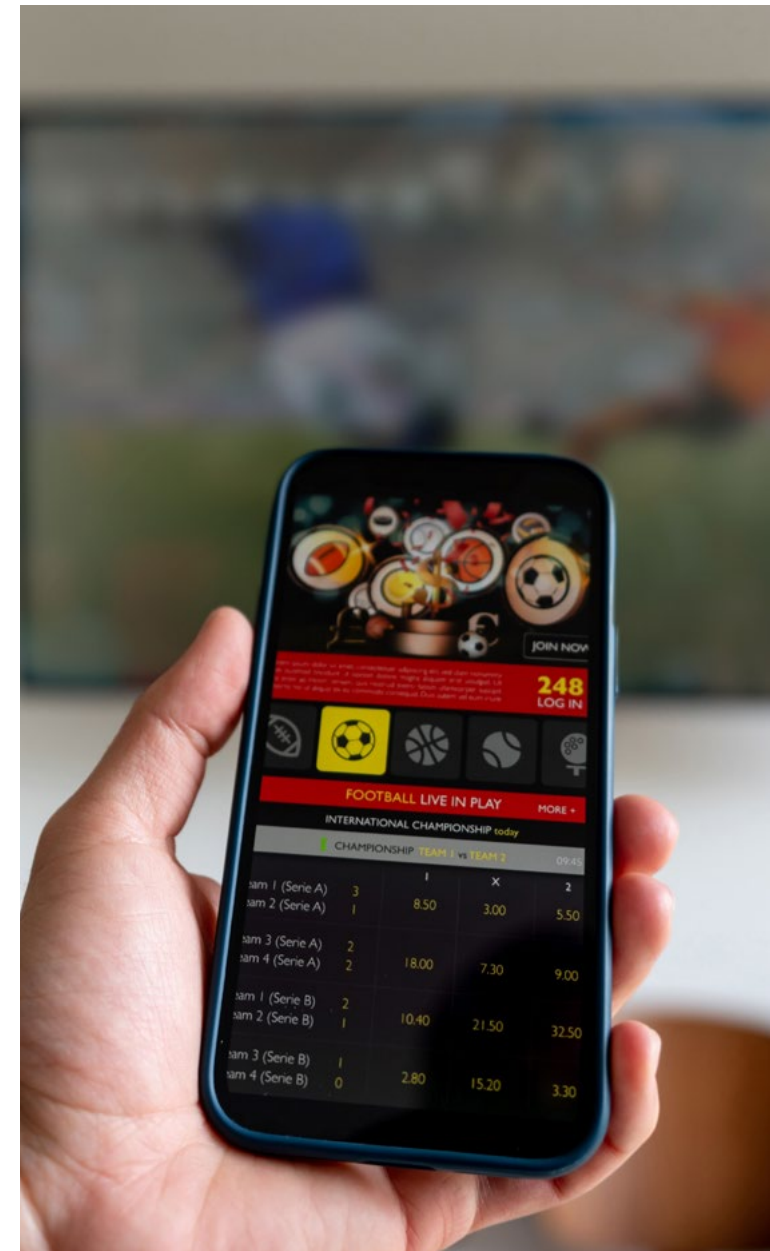
Similarly, consumers' value judgements are also moving away from volume and towards more emphasis on unique experiences. They expect new activities, and new ways of being entertained, so that each outing is worthwhile and exclusive. Competitive socialising is rising too, with game-based experiences like escape rooms and ping pong bars gaining popularity among consumers. Research from Gartner suggests 89% of businesses would compete over customer experience⁴⁰ and 86% consumers would pay for better ones.⁴¹

While the impact of COVID-19 shifted consumers to a preference for convenience, accelerated online entertainment platforms, and released pent-up demand for communal services, these trends were being observed before the pandemic.

Consumers' motivation is in a large part due to the appeal of 'Insta moments' and 'Twitter gold' – sharing photos and tweets of themselves engaging in an experience with friends and other followers. This is also backed by the Harris research that found factors such as craving recognition and FOMO (fear of missing out) help drive their cravings for experiences. Creating an 'Insta-moment' is an important consideration in determining spend.⁴²

Brands that want to stay relevant therefore must turn the customer journey, whether online or offline, into a thoughtful and memorable experience. For example, extended reality (XR), AR and VR could be used by companies to create an immersive customer experience.

Businesses striving to create unique experiences must view success differently. Quantitative metrics such as return on investment should not alone guide their thinking, it's important to include qualitative data that gauges the utility and value of enjoyment customers derived from their offerings.



³⁹ <https://cdn2.hubspot.net/hubfs/5929794/Landing%20Pages%20Resources/Whitepaper/files/Everise%20Whitepaper%20Rise%20of%20the%20Experience%20Economy.pdf>

⁴⁰ <https://blogs.gartner.com/jake-sorofman/gartner-surveys-confirm-customer-experience-new-battlefield/>

⁴¹ <https://www.forbes.com/sites/danielnewman/2020/06/23/4-actionable-customer-experience-statistics-for-2020/?sh=30c370b11a84>

⁴² <https://www.cnn.com/2016/05/05/millennials-are-prioritizing-experiences-over-stuff.html>



Investments in experiences are accompanied by some risks the business may face:

- **No secrets:** Good experiences are promoted on social media, giving smaller brands recognition, and increasing footfall into their business. But the opposite is also true too – bad experiences are shared to complain and alert viewers, which could instantly cause brand damage from which it may be hard to recover. Businesses must maintain and monitor their online presence so they can respond to the individual consumer to avoid the social media communities amplifying what might have initially been a relatively small problem.
- **New entrants:** A significant barrier to entry in the changing industry is the lack of creative ideas for experiences, rather than high fixed costs. This means the industry for experiences faces risks from disruptive new entrants who can capture the market if they impress customers. Existing companies must adapt and constantly innovate to keep up with the competition. To do so, they must find ways to differentiate their employee experience to recruit the brightest and most creative talent.
- **Consumer expectations:** In a world of TikTok trends that leave as abruptly as they enter, businesses must also keep up with ever-changing consumer expectations. Businesses must ensure that apart from traditional channels, their marketing teams also monitors the social media used by the current generation, and form partnerships to generate data insights from consumer behaviour on these platforms.



New frontiers
in technology

Transformation
of people and
workforce

Focus: Mental wellbeing
and L&H – Exceeding
customer expectations,
defending claims

Changing
consumer
preferences

Focus: Experience
shifts – potential
impact on gaming and
gambling

Climate and
sustainability

Risk
alerts


Opportunity
watch

Action plan: Five ‘red
flags’ to take down before
approaching markets for
cyber cover



Gaming and gambling

Climate and Sustainability

 Some businesses in leisure and hospitality, including gaming and gambling organisations, could be facing the strategic risk of overpaying for acquisitions. Climate brings an additional layer of risk to mergers and acquisitions that needs to be considered alongside each of the traditional risks and concerns.

Buyers with more sophisticated views of climate-related risks are likely to be much better prepared to think about the operational and transitional risks. For example, if a buyer is already undertaking Taskforce on Climate-Related Financial Disclosure (TCFD) reporting, it will already be highly engaged in climate change issues, so will be able to bring that level of understanding to its standard due diligence processes.

Buyers with TCFD and data-driven informed approaches to managing climate risk are also going to be better positioned to bring this sophistication to its understanding of the risks associated with the target, able to price in those risks and/or ensure it has appropriate protection in place.



New frontiers in technology

Transformation of people and workforce

Focus: Mental wellbeing and L&H – Exceeding customer expectations, defending claims

Changing consumer preferences

Focus: Experience shifts – potential impact on gaming and gambling

Climate and sustainability

Risk alerts

Opportunity watch

Action plan: Five ‘red flags’ to take down before approaching markets for cyber cover



Gaming and gambling

Risk alerts



- Compliance risks are increasing with stringent regulations on gaming and gambling, data and customer privacy, and anti-money laundering.
- Potential for security breaches and technology malfunctions leading to consumer data loss is higher in the gaming industry than in other leisure and hospitality sub sectors.
- Lack of a clear code of conduct or guidelines on data collection, incident management, and cyber harassment on gaming and gambling platforms can open organisations up to claims.
- Lack of effective leveraging of data and technology to attract clients and customers may inhibit growth.
- Lack of sufficient due diligence in determining risks and opportunity before investing in metaverse capabilities could lead to gaming business falling behind competitors.



New frontiers
in technology

Transformation
of people and
workforce

Focus: Mental wellbeing
and L&H – Exceeding
customer expectations,
defending claims

Changing
consumer
preferences

Focus: Experience
shifts – potential
impact on gaming and
gambling

Climate and
sustainability

Risk
alerts

Opportunity
watch

Action plan: Five 'red
flags' to take down before
approaching markets for
cyber cover



Gaming and gambling

Risk alerts: Consumer preference



- Rising preference for online casinos with elements of realism, while destination casinos affected by the reduction in air travel, means that operators need to understand the investment needs and potential return on that investment to keep pace and be strategically well-positioned to grow and meet changing demands.
- Lack of understanding of talent pool and the skills, training and job roles needed for strategic growth and plans puts future growth at risk.
- Lack of a clear picture of the wider impact irresponsible gaming and technology plays, especially via third party suppliers, and the reputational risks this can create could inhibit future success.



New frontiers
in technology

Transformation
of people and
workforce

Focus: Mental wellbeing
and L&H – Exceeding
customer expectations,
defending claims

Changing
consumer
preferences

Focus: Experience
shifts – potential
impact on gaming and
gambling

Climate and
sustainability

Risk
alerts

Opportunity
watch

Action plan: Five 'red
flags' to take down before
approaching markets for
cyber cover



Gaming and gambling

Opportunity watch



- Increasing demand and higher competition in the social gaming genre that allows virtual connections with friends in a competitive setting is creating new customer segments.
- Online gambling websites can adapt to accept cryptocurrency as a form of payment, as consumers value the anonymity and security of transaction it offers them.
- Engaging in employee listening and reviewing job architecture and employment pathways to meet the future needs of the business can put gaming and gambling organisations on the front foot in the war for talent and retaining staff.
- Having a strong grasp of your business' impact on climate and sustainability, and a well-documented framework and action plan creates consumer and investor confidence.

New frontiers
in technology

Transformation
of people and
workforce

Focus: Mental wellbeing
and L&H – Exceeding
customer expectations,
defending claims

Changing
consumer
preferences

Focus: Experience
shifts – potential
impact on gaming and
gambling

Climate and
sustainability

Risk
alerts

Opportunity
watch

Action plan: Five 'red
flags' to take down before
approaching markets for
cyber cover



Gaming and gambling

Action plan: Five 'red flags' to take down before approaching markets for cyber cover



1. Do you have multi factor authentication (MFA) in place across 100% of your network for all remote access and privileged admin access?
2. Do you have a privileged account management (PAM) tool in place to protect all high value accounts?
3. Are you deploying an endpoint detection and response solution fully across all endpoints?
4. Is your storage of back-ups separate from your primary network, for example, within a cloud service or data centre?
5. Do you regularly test the restoration and recovery of key server configurations and data from back-ups?





Media and entertainment

Evolving business models, securing the eyeballs of younger viewers and the creativity of diverse talent are all front of mind for entrants old and new in the media and entertainment sub sector.


What new exposures is increasing data collection creating and how can companies stay ahead of their data liabilities and retain public trust and loyalty in the context of 'cord cutting' by streaming customers?





Media and entertainment

New frontiers in technology

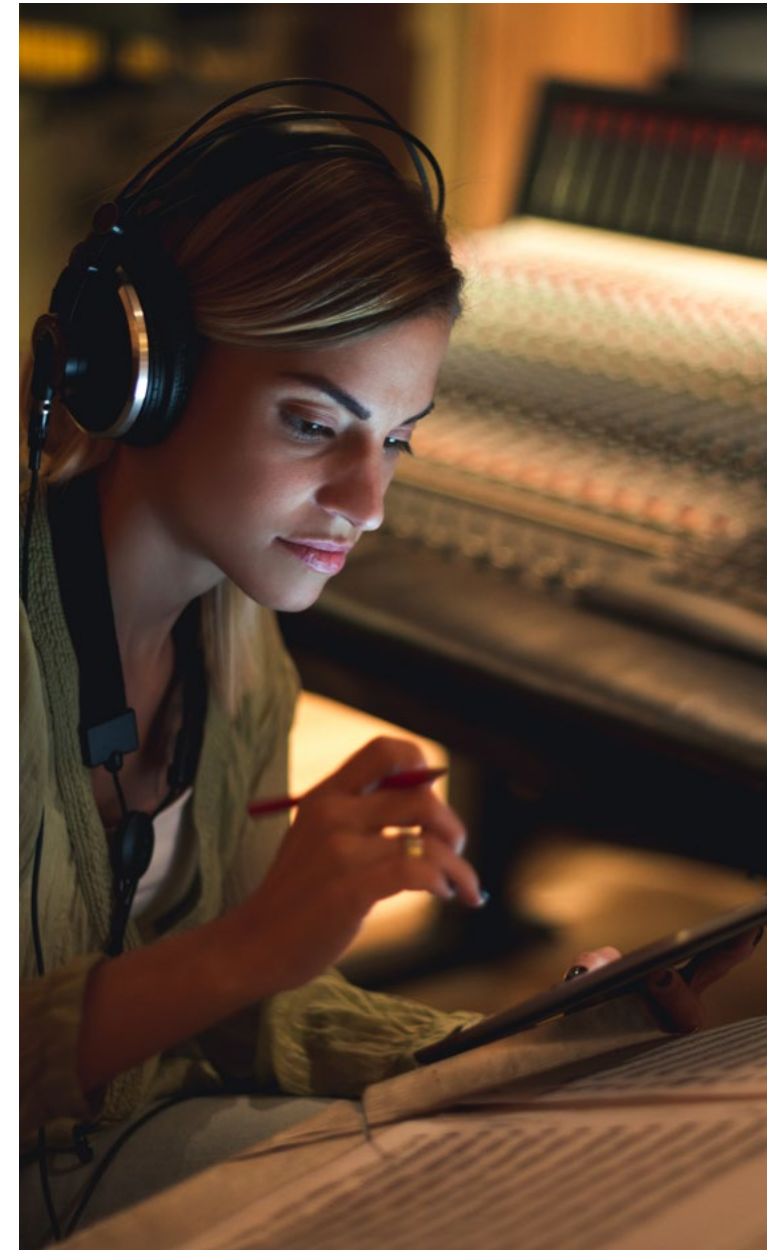
 In the media and entertainment sector, connected TV (CTV) and its data collection, and AI use capabilities are all changing the way viewers interact with content. AI companies using digital advertising will be able to create bespoke ads for their target segments using CTV data. Viewers can also interact with the ads – as in the case of shoppable ads – rather than passively watch.

With streaming platforms, as competition grows, the ability to curate recommendations and push their own content forward could deliver a competitive edge. Investment in AI to provide seamless user experiences and differentiate in an increasingly crowded market is key.

Our research indicates most viewers of media and entertainment are either neutral or somewhat concerned about media companies collecting their data, and younger age groups are more likely to enjoy targeted ads. Nevertheless, it is important to clearly define how much and which data companies will collect, how they can use it, and what liability they have in the event of a hack.

WTW reputational risk specialist David Bennett suggests in the U.S. in particular, younger consumers are experiencing “breach fatigue,” that is, they are increasingly neutral when alerted to their data being compromised. However, this should not be cause for organisations to relax their own attitudes to data breaches, not only because it’s the right thing to do but because you can never be sure of customer loyalty when things go wrong. You might also consider establishing strategies to shore up loyalty when breaches occur. “What’s a subscriber’s ‘stickiness’ if there are data privacy issues? Can you understand whether giving them additional rewards would keep them with you, for example, and how much that would cost?” asks Bennett.

Data can inform just these sorts of decisions around which customers to target with such loyalty schemes. “If you have the data, you might create ‘risk personas’ around this sort of thinking,” adds Bennett.





Media and entertainment

Transformation of people and workforce



Traditional leisure and hospitality cultures linger in media and entertainment, hindering recruitment and retention of talented people, including staff that identify as neurodivergent, women and minority groups. Failure to diversify workforce shuts off potential pools of fresh ideas and creativity.

Diversity and inclusion efforts need to be linked to improved operational effectiveness and the positive impact on profits. The industry experts interviewed in our research all mentioned reputation as a key driver in media companies' decisions; culturally, diversity and representation are becoming a meaningful consideration for viewers and their perception of content.

There is an increasing push in the industry for increased representation both in front of and behind the camera, affecting both consumers and the workforce, with most consumers still feeling under-represented in the content they consume.

Whilst we expect to see more minority filmmakers in the industry, consumers will increasingly demand to see a wider range of races, body types and gender roles in the content they view with findings from Mack Institute's Collaborative Innovation Program at the

Wharton School, University of Pennsylvania survey conducted on behalf of WTW of 204 respondents indicating 62% of consumers currently feeling they are rarely or only occasionally represented in the media they consume.

Even in a gig economy, media companies need to invest in programs to develop a wide range of talent to increase their retention and maintain access to high-level professionals as competition for talent grows. Large media companies run an increasing risk of bad publicity from things like an unethical executive or TV-show scandal, for example, racism or bullying claims concerning reality TV participants. Media companies should focus on finding adequate insurance for these events and appropriate strategies for bouncing back if such an event occurs.

Like other sub sectors, media and entertainment struggles with talent gaps look set to continue. "There's a real battle for talent. Many people retrained in light of the pandemic," says Bennett. He also makes the point that debates around people are increasingly centred on conditions for all those in the industry. "The duty of care conversations to those on screen are now expanding into a duty of care to people behind the camera," he says.



New frontiers in technology

Transformation of people and workforce

Changing consumer preferences

Focus: Prosperity polarity

Climate and sustainability

Risk alerts

Opportunity watch

Action plan: Five priority areas for media and entertainment companies



Media and entertainment

Changing consumer preferences



In the over-the-top (OTT) media market – where film and television content platform is provided via a high-speed internet connection instead of a cable or satellite provider-based platform – profitability among existing businesses is becoming more elusive, as the subscription model loses its power to drive long-term growth, eventually plateauing subscriber growth. Streamers are also dealing with competition both to win customers but also license exclusive content.

There is also the risk of an undercurrent of account sharing and short-term subscriptions that lets customers cut down the total cost of their subscriptions. This emerges as a delicate issue for streaming services – while 66% of our survey respondents who said they used between one and three streaming services, only 58% said they paid for the same number.

This sizeable subscription pay gap is undoubtedly hitting profitability. Moreover, with the rising cost of living in the U.K. posing an emerging risk, OTT platforms have faced cancellation in subscriptions from 800,000 households.⁴³

Streaming platforms must diversify further, both in their audiences and their revenue channels. Several are considering rolling-out ad-supported content as an additional revenue stream. This is justified in light of 51% of all the revenue currently made in the OTT market coming from ad-funded video-on-demand, while 40% from subscription video-on-demand.⁴⁴

Viewers are receptive to this trend, too. According to the Integral Ad Science (IAS),⁴⁵ 76% of people in the U.S. will embrace video marketing if it allows them to stream content for free, and 55% plan on using free video streaming services within the next year.

As new players enter the market with a dual revenue stream, the long-term survival and growth of existing players relies on how quickly they can adapt. Businesses must consider whether these capabilities can be internally sourced, or if they require partnerships with data specialist firms.

The prospect of ad-supported content is also an opportunity for brands, as technology bridges the gap between TV and e-commerce. Shoppable ads using QR codes to enable ecommerce advertisers to create

a seamless, measured journey from the point of viewing an advertisement through to purchasing the product.

From a sales and marketing perspective, this content interaction will make it easier for companies to act where impact is immediately measurable and obtain a wealth of data on advertising effectiveness.

Bennett says, “The threat of so-called cord-cutting by subscribers is front of mind from podcasts to streaming. For the whole of the media industry, the challenge is finding the young demographic who just don’t watch TV. This is why some streamers are looking at ad models. One of the upsides of this model will be the great amount of data this will generate for advertisers.”

In addition to moving to ad models, it’s likely they’ll be further cutting of programming due to drops in revenue. At the same time, streamers are increasingly focused on globalising their offers.

⁴³ <https://www.theguardian.com/business/2022/aug/04/thousands-cancel-netflix-or-prime-video-as-uk-cost-of-living-soars>

⁴⁴ <https://www.marketingweek.com/trends-2022-tv-streaming/>

⁴⁵ <https://explodingtopics.com/blog/streaming-trends>



Media and entertainment

Focus: Prosperity polarity



The U.K. ranks among the most unequal nations in Europe, with a generational gap in financial inequality. According to a study by the Institute for Fiscal Studies,⁴⁶ young people are on track to being poorer than their parents at every stage of their lives.

Moreover, with inflation and a rising cost of living, virtually every sector in the leisure and hospitality industry will face a fall in consumer demand concentrated among the younger generation.

In the face of lower real wealth, businesses will have to define their brand identity along the lines of which demographics they serve. For those serving younger generations, it may be worthwhile to reconsider pricing.

However, if passing rising costs to customers is unavoidable, then consumer segmentation is also another viable solution to make up the loss suffered in one segment by the profit gained in another. This could also include additional product offerings that are paid-for, to give consumers the semblance of choice in determining whether they want to face the cost or not.




⁴⁶ <https://www.bbc.co.uk/news/business-34858997>



Media and entertainment

Climate and Sustainability

 Netflix has stated it will achieve net zero greenhouse gas emissions by the end of 2022, and every year thereafter.⁴⁷ Bennett says, “For some younger content providers, climate is in their DNA and their quite ahead on it.”

However, media consumers for the time being appear largely motivated by the price and availability of the content while choosing a platform for consumption rather than the sustainability and ethical practices (see survey conducted on behalf of WTW).

More than 50% of the respondents are less likely to change their viewing habits based on the sustainability and ethical practices of the company.

On the other hand, with the rising cost of living, media and streaming companies need to rethink their business model to become sustainable and

compete by offering customers lower prices, exclusive content to watch to attract more consumers. Even if sustainability and ethics are not on top of mind of the customers now, it is advisable to start investing in them if they are not prohibitively expensive to stand out over time and win over customers.

Bennett cautions on the dangers of greenwashing and in this context, the importance of visibility and transparency along the supply chain. “If it’s a case of ‘We are carbon neutral except that people are viewing on cloud,’ there could be a perceived greenwashing element,” he says.

On data centres, the drive to reduce energy consumption is “huge,” says Bennett, as is the use of renewables. However, this is impacting insurance because insurers are less likely to want to cover anticipated outages. Here, the emphasis needs to be on the robust presentation of risk, or trading-off additional cost of cover against the reputational and associated reward. “Some media businesses are going to accept the use of renewables, for example, could cost \$30k extra on property premium but they need it for investors,” says Bennett.



⁴⁷ <https://about.netflix.com/en/news/net-zero-nature-our-climate-commitment>



Media and entertainment

Risk alerts

- ⚠️ • Data protection fines and regulations: Global trend of data protection policies are shifting focus from guidance to increased and stronger enforcement. Also, lack of a clear code of conduct or guidelines on data collection, digital asset ownership, incident management, and cyber harassment in the metaverse poses new risks, as does a failure to effectively protect a growing pool of data from breaches and cyberattacks. In addition, new entrants in media and entertainment should exercise caution and undertake extensive due diligence before entering the now highly competitive streaming market. In 2022, CNN launched its own subscription service only to shut it down within a month, losing \$300 million.⁴⁸
- Attracting the right workforce in a tight labour market that is flexible, multigenerational, and diverse may continue to prove challenging.
- Increasing reputational risk in the context of 'cancel culture', particularly, as Bennett notes, around podcasts with controversial host or guests.
- Rise in account sharing among users, consumer dissatisfaction from lack of engaging content with representation, originality, the audience's voice, are all issues media companies must tackle against pressures from the rising cost of living.
- Shift to renewables could prove costly in terms of capex and insurance costs.
- Teresa Long, Director in WTW's Leisure and Hospitality Practice considers the importance of aligning the corporate messages and production actions in terms of climate and sustainability. "In the U.K. the film and TV industry has established support, and offers evidence of sustainable actions in filming. However like others in the L&H sector, productions can have a large carbon footprint, particularly in large scale productions and those with significant transportation. Operators in the sector need to consider what risks and costs may lie ahead in a world where climate conscience is growing amongst its consumers," says Long.



⁴⁸ <https://www.theguardian.com/media/2022/apr/21/cnn-plus-streaming-service-shuts-down>



Media and entertainment

Opportunity watch



- There is an opportunity to go ‘back to basics’ and seek improved risk optimisation. “Conversations are getting back to roots of causation and risk alongside value for money. This is in light of cyber cover having gone up some much and businesses automatically needing more coverage as they get more digitised,” says Bennett.
- In a hard market, Bennett says the answer is for media and entertainment companies to examine the total cost of risk using core analytics and modelling to answer questions of, “Should I be spending more money on this?”
- Bennett also sees further opportunities in the way both data and existing content is used. “Take podcasts, for example. You could start looking at offering pre-releases and promoting the back catalogue to get every last pound of value from the content, then use the data to refine your offer,” he says.
- Media and entertainment organisations could look to other sub sectors for best practice on marrying climate and sustainability aims to operational supply chains to meet their goals and avoid greenwashing allegations. As WTW Research Network Head of Emerging Risks, Lucy Stanbrough comments, “No one person or industry has all the answers and change is constant for everyone. As well as learning from scientific best practice, understanding how other sectors are responding to shared problems is another opportunity. For example, while exploring supply chain risk and resilience in the food and drink sector, we uncovered an internal initiative at a leading food manufacturer where they are undertaking a program of process improvement that will create clear standards and expectations around processes across business. Could putting together something like this work for your business? What are the challenges and opportunities that need a shared plan?” she says.



Media and entertainment

Action plan: Five priority areas for media and entertainment companies

- **Identify** technology vulnerabilities, including throughout the supply chain, which is key in business continuity planning, risk management and transfer. Do you have a clear picture of the infrastructure and third parties beyond the first tier of your supply chain?
- **Listen** to your employees to unlock your understanding of why employees want to work for you versus your competitors, and what you need to do stay ahead in the war for talent to not only attract but to also retain talent.
- **Understand** your exposure to reputational risk and have a plan of action in the event of a major event or issue, for example, disgrace of talent or impact of negative social media, to mitigate and manage your risk.
- **Identify** where you are on your climate and sustainability journey and what you need to do to reach organisational goals? Being able to document and articulate your credentials is becoming a business essential.
- **Inform** how customers would react to an adverse event by using content engagement data. Can you use marketing elements such as A/B testing to try non-financial mitigation actions if customers are at risk of ending their subscription?



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