



The Leisure Consumer 2021

Emerging from the pandemic

June 2021

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About this report:

The consumer data featured in this report is based on a survey carried out by independent market research agency, YouGov, on Deloitte's behalf. This survey was conducted online with a nationally representative sample of more than 3,000 UK adults aged 18+ between 19 and 23 March.

Some of the figures in this report show the results in the form of a net balance. This is calculated by subtracting the proportion of respondents that reported doing less of something from the proportion that reported doing more of the same thing. For instance, assume that 30 per cent of respondents reported they are spending more, 50 per cent reported no change and 20 per cent reported they are spending less. The net balance is calculated as $30 - 20 = 10$. This means 10 per cent of consumers reported that they spent more rather than less.

Foreword

The COVID-19 pandemic triggered profound changes in consumer behaviour almost overnight. Not only did the lockdown restrictions lead to a significant increase in in-home leisure activities, they also accelerated the shift to online. In normal circumstances, these changes, most notably the growth of online leisure activities, would have taken years and would have been the result of more gradual social and technological innovations. Using data from a survey commissioned by Deloitte, we have looked at how UK consumers will emerge from the pandemic and what it means for the leisure sector.

At the time of writing, lockdown restrictions are being lifted progressively, but it is still too early to measure fully the social and economic impact of the pandemic on consumers and the leisure sector. Our survey results show that when it comes to leisure activities, consumers want to return to a level similar to before the pandemic. However, a question is whether the leisure experience can be the same when it must coexist with social distancing and other COVID-19 safety measures. Will the expected surge in

demand see a return to pre-pandemic behaviours or will new behaviours observed during the pandemic be here to stay?

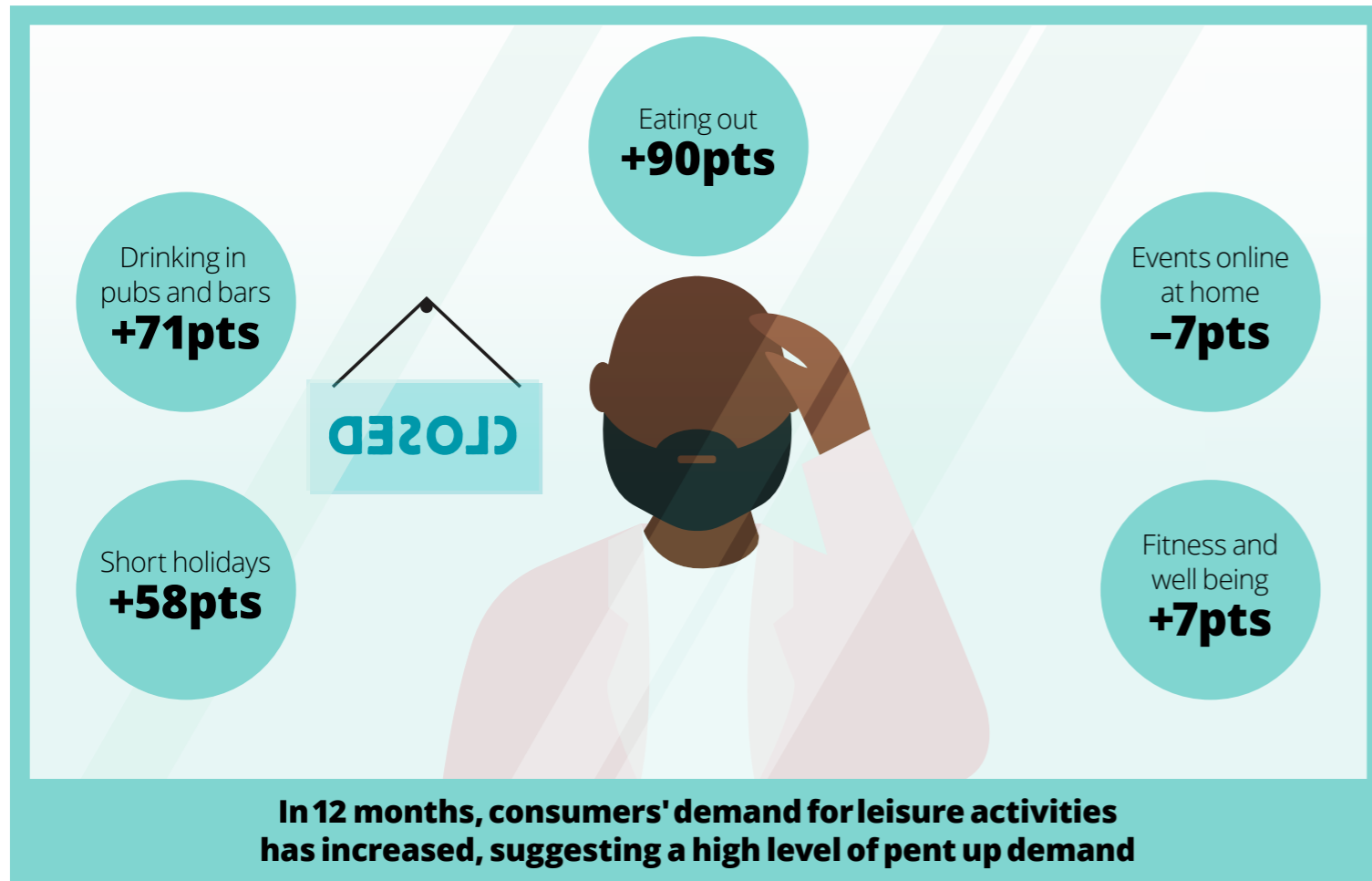
By analysing how consumers adapted their behaviours during the pandemic and what they intend to do when all restrictions are lifted, new business opportunities should emerge. With the aim of helping business leaders assess their customers' differing outlooks following a hugely disruptive year for the leisure sector, we have developed four profiles of consumers beyond COVID-19.

We hope that this report provides you with insights for understanding the challenges and opportunities facing the leisure industry, and we would welcome your feedback.

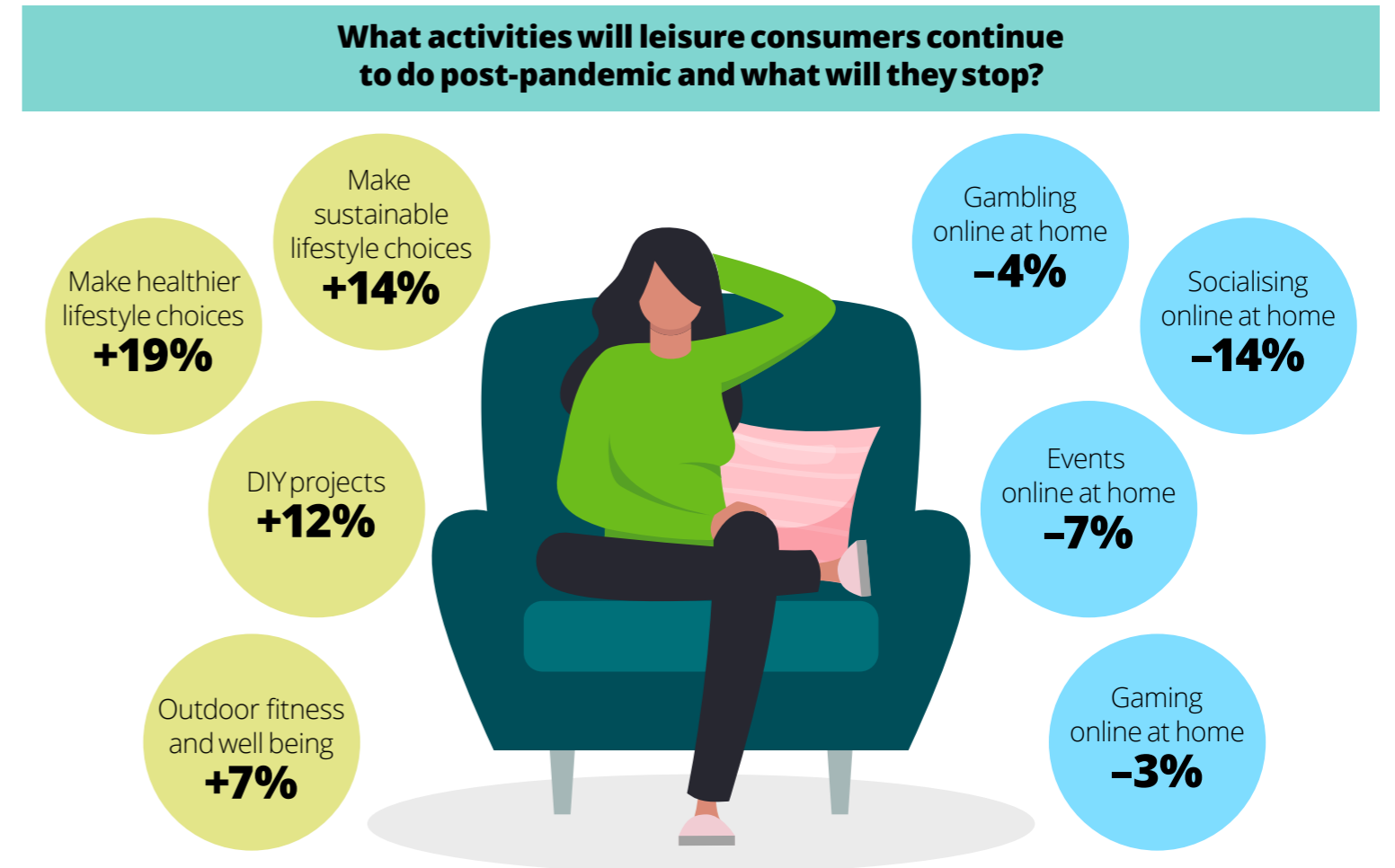


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Infographic



Consumer spending intentions in Q2 2021 – % point change year-on-year



Net % of consumers participating more in leisure activities in the next 12 months compared to before COVID-19

A recovery in consumer confidence

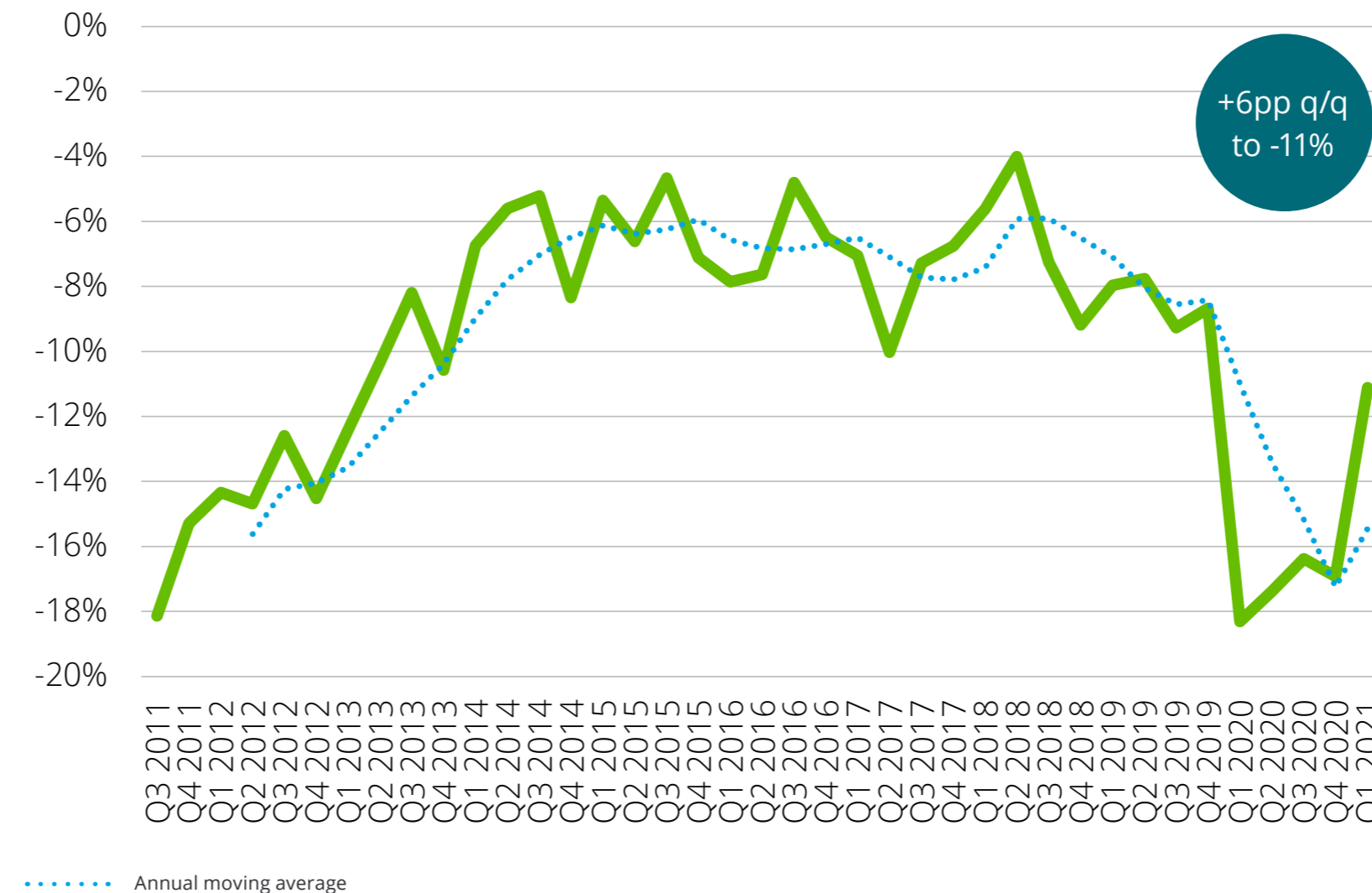
A strong recovery in consumer confidence paves the way for a resurgence in leisure activities

Consumer confidence is often used as an indicator of prospects for the UK economy. Consumer expenditure represents the largest component of gross domestic product (GDP) and in recent years has been its main growth driver. As a result, how consumers spend will determine to a large degree how the UK emerges from the pandemic-induced recession and what sort of recovery we get. In the UK, 21 per cent of consumer spending is on 'socially consumed' services, such as meals out, holidays and other leisure activities – the areas most affected by lockdown measures. For consumers to spend on these, they need to be confident about their personal financial circumstances.

In March 2021, consumer confidence saw its biggest jump in the ten-year history of the Deloitte Consumer Tracker (see **Figure 1**) following the announcement of a road map for lifting COVID-19 restrictions, renewed support for workers and the successful rollout of the vaccination programme. After a year of restrictions, two measures stood out as having sustained growth throughout the last year with both optimism surrounding debt and disposable income reached new highs in Q1 2021¹.

However, confidence has not yet returned to pre-COVID-19 levels and risks remain, such as the threat of new variants of the virus leading to another wave of infections, or a slow-down in the vaccine rollout due to supply shortages. Confidence could also be eroded by the ending of the government support programmes. Inflation in the UK is expected to rise over the coming months as a strong economic rebound drives prices higher. In the leisure sector capacity constraints and additional costs, such as the costs of complying with COVID-19 safety measures, are likely to add to price pressures. However, for the economy, high unemployment and spare capacity should help to keep a lid on these price pressures and prevent above-target price inflation from becoming entrenched.

Figure 1. Consumer Confidence Index*



Source: The Deloitte Consumer Tracker

*The Deloitte consumer confidence index is an average of the net % of consumers who said their level of confidence improved in the past three months for six individual measures of confidence.

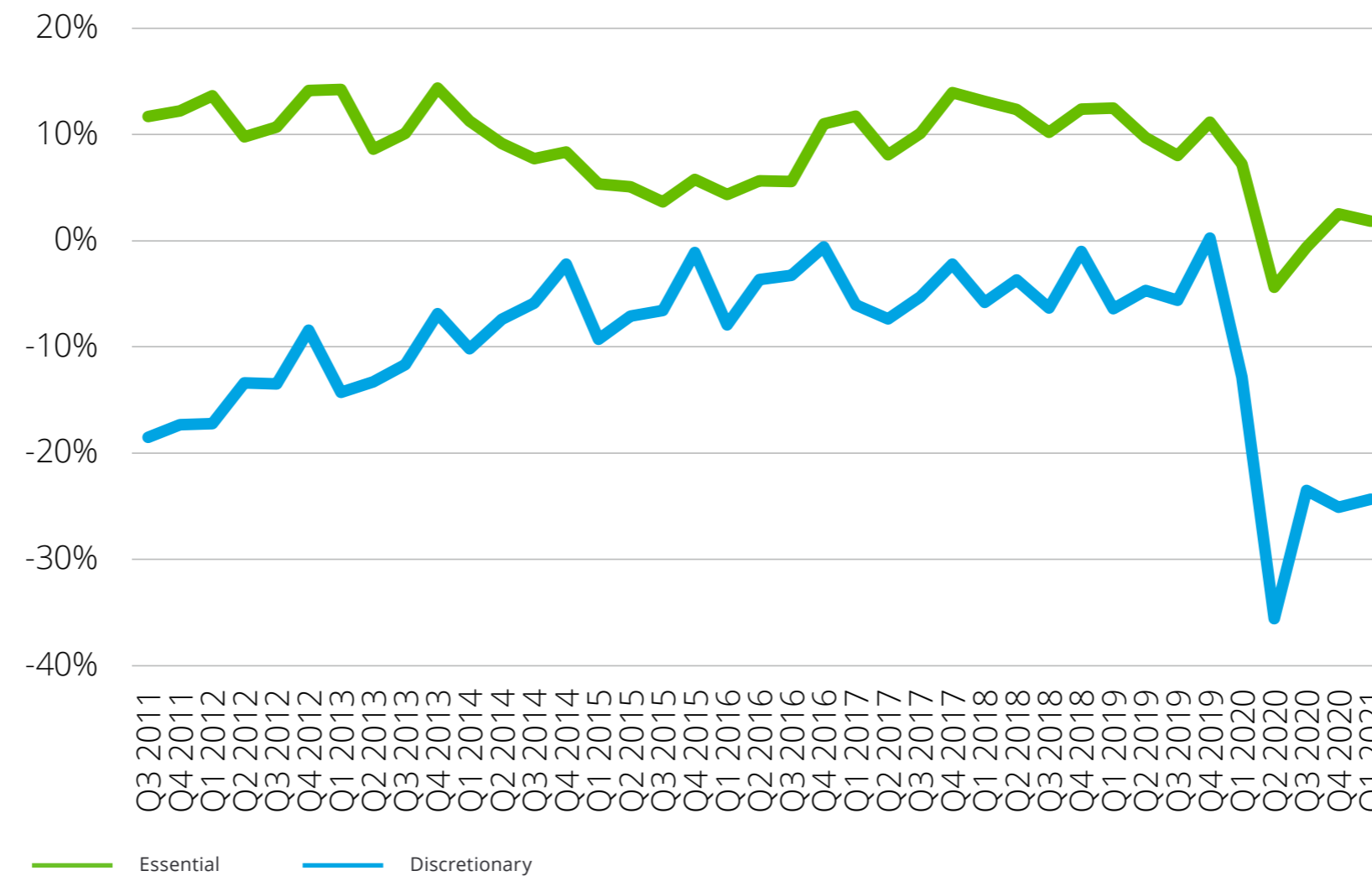
Improving expected levels of discretionary spending

Consumer discretionary spending had been increasing on an upward trend since we started tracking it back in 2011. However, there was a sharp fall as anxious consumers postponed or stopped some of their discretionary spending when the pandemic restrictions were imposed. The research agency Mintel estimates that the value of the out-of-home leisure industry, excluding travel and tourism, fell by 54 per cent in 2020 to £51 billion.

While it is expected to start recovering in 2021, Mintel is forecasting it will only exceed pre-pandemic levels when it reaches £114 billion by 2025². Indeed, for the first time since the Deloitte Consumer Tracker survey began, net spending on discretionary items is expected both to become positive and also to exceed net spending on essential categories (see **Figure 2**).

While the recovery is predicated on a sustained reopening of the economy and suppression of the virus, the improving levels of optimism among consumers should translate into increased consumer activity in the coming months. According to the Bank of England, overall household consumption is expected to grow strongly, by 5.25 per cent in 2021 and by 9.25 per cent in 2022³.

Figure 2. Consumer spending intentions in the next three months



Note: New categories were added to Essential spending in Q2 2020

Source: The Deloitte Consumer Tracker

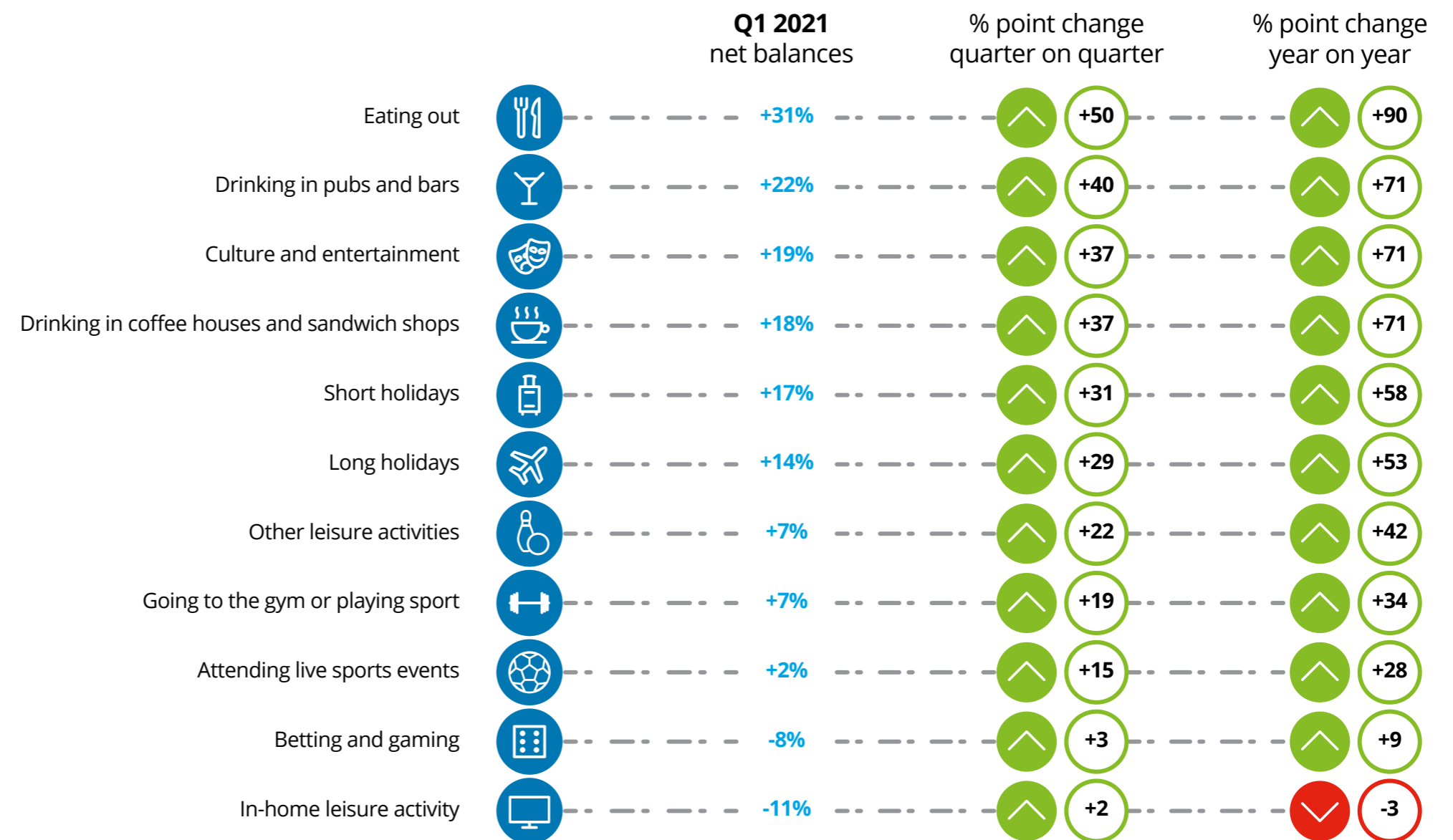
High levels of pent-up demand bode well for a recovery in the leisure sector

According to our data, intentions to spend on eating out in the next three months saw a 50 percentage point jump in Q1 2021 compared to Q4 2020 and a 90 percentage point increase compared to the same period in the previous year. Large increases were also seen in drinking out in cafes and pubs (see **Figure 3**).

Leisure activities such as attending cultural events and visiting entertainment venues saw net spending climb to +19 per cent from -18 per cent. Mintel research reported that 57 per cent of UK consumers would be happy to take a coronavirus test, if it would give them access to an outdoor festival or concert⁴. In contrast, according to our data, net spending intentions on betting and gaming, and on at-home activities are expected to grow at a slower rate.

The leisure sector has been one of the worst affected since the start of the lockdown restrictions. Future growth in spending will therefore be from a lower base and so is likely to be very strong. A proportion of the savings built up over the lockdown periods is due to consumers being physically unable to spend money on theatres, gyms, and restaurants etc. These savings will provide a powerful lift in spending as the economy reopens. With international restrictions remaining in place, the UK leisure sector should also receive a boost from the predicted increase in 'staycations'. However, any delay to the government's easing of the roadmap for easing restrictions would hit spending forecasts and disproportionately affect leisure consumption. Spending in general will be tempered by continuing uncertainty around the economic outlook. In addition, the leisure sector has to contend with hesitancy about returning to pre-pandemic activities and reduced capacity at venues. For these reasons, it is likely that leisure spending will be slower than other sectors to return to pre-pandemic levels.

Figure 3. Consumer spending intentions in the next three months



Source: The Deloitte Consumer Tracker

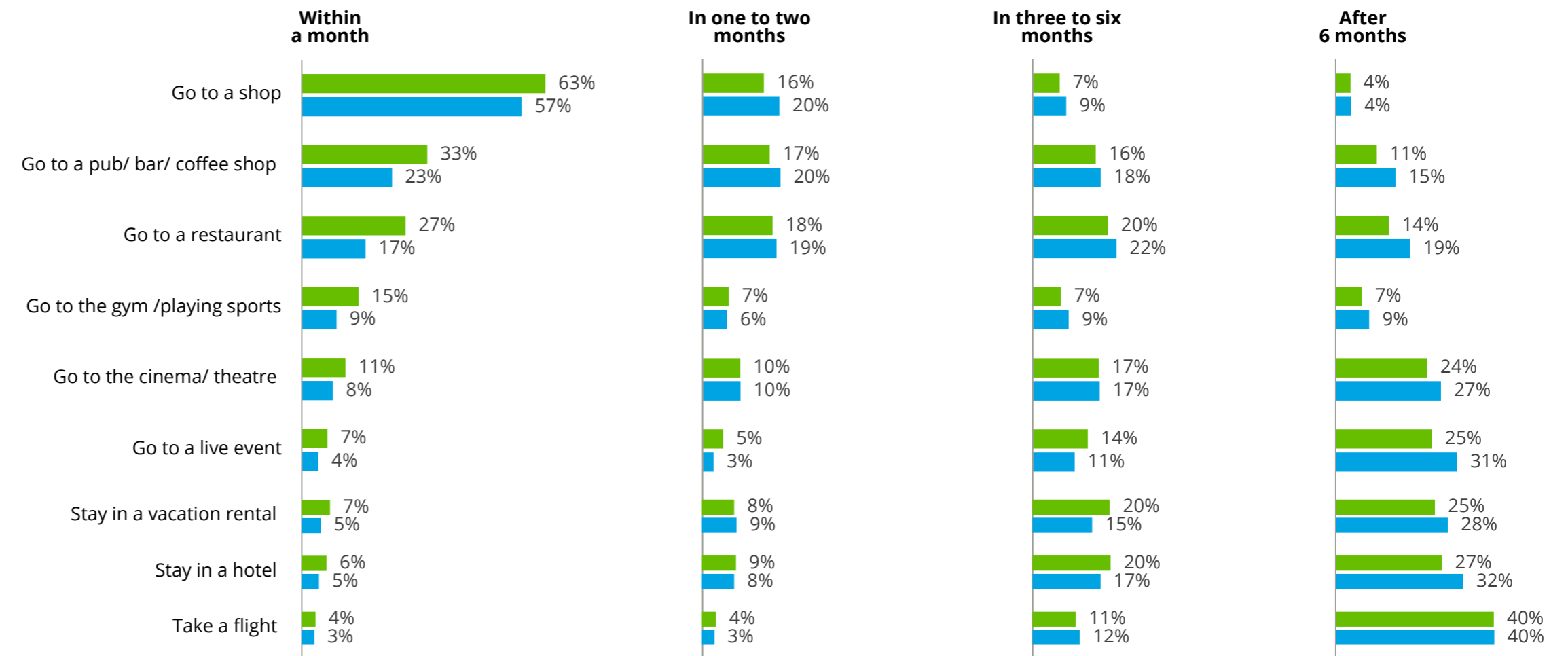
Strong desire to resume social activities post-lockdown

According to our data, consumers are keen to restart leisure activities such as shopping and eating out within a month of the restrictions being fully lifted. However, leisure activities requiring further safety measures such as attending large public events or going to the cinema could take longer to recover than leisure activities involving smaller gatherings or taking place outdoors. Our data shows that compared to the end of the first lockdown in Q2 2020, the proportion of consumers intending to resume eating and drinking out within a month of the restrictions being lifted on 17th May increased by ten percentage points, to 27 per cent and 33 per cent, respectively.

A recent survey found that more than four million people had booked visits to hospitality venues in England within the first two weeks of the sector having reopened for outdoor service on 12th April⁵. However while 35 per cent of consumers intend to stay in a hotel or vacation rental within the first six months of restrictions being lifted, only 19 per cent intend to take a flight. In a sign of continued concerns around air travel, 40 per cent of consumers indicate that they will wait six months or more before taking a flight (see **Figure 4**)

Figure 4. Timeline for intentions of return to leisure activities once restrictions are lifted

% UK consumers leisure activities post lockdown



■ Q2 2020 ■ Q1 2021

Source: The Deloitte Consumer Tracker

Will COVID-19 have a lasting impact on the behaviours of leisure consumers?

Due to the pandemic restrictions and lockdowns, many premises for physical leisure activities were not available to consumers, who therefore had to change how they spent their leisure time. While many found the new ways of socialising and spending their leisure time restrictive, others saw an opportunity to try out new things and do things differently.

Some consumers took on do-it-yourself (DIY) home improvement projects; others signed up to online learning courses to acquire new skills; and some tried 'at-home' upmarket restaurants via meal box deliveries or did their own hair colouring for the first time. The question now is which of those consumer behaviours will continue now that the restrictions are being lifted?

How did consumers spend their leisure time during the pandemic?

To better understand consumer attitudes to leisure in the year since March 2020, we explored consumer levels of engagement with several leisure activities during the pandemic compared to before (see **Figure 5**).

Not surprisingly in the year since March 2020 people did one thing more than anything else – they socialised online. There was a 44 per cent net balance of consumers doing more socialising online compared to before the pandemic. Among Generation Z consumers, the net balance was 64 per cent, much higher than for consumers aged 65 year-olds or older (36 per cent). However, one in four consumers claimed not to have engaged at all in online socialising. Lockdown periods were times when the advantages of online interactions outweighed the disadvantages. While the majority of individuals will want to return to socialising in person, the possibility of staying in touch online has become more

acceptable regardless of distance, whether across oceans or just a few miles away.

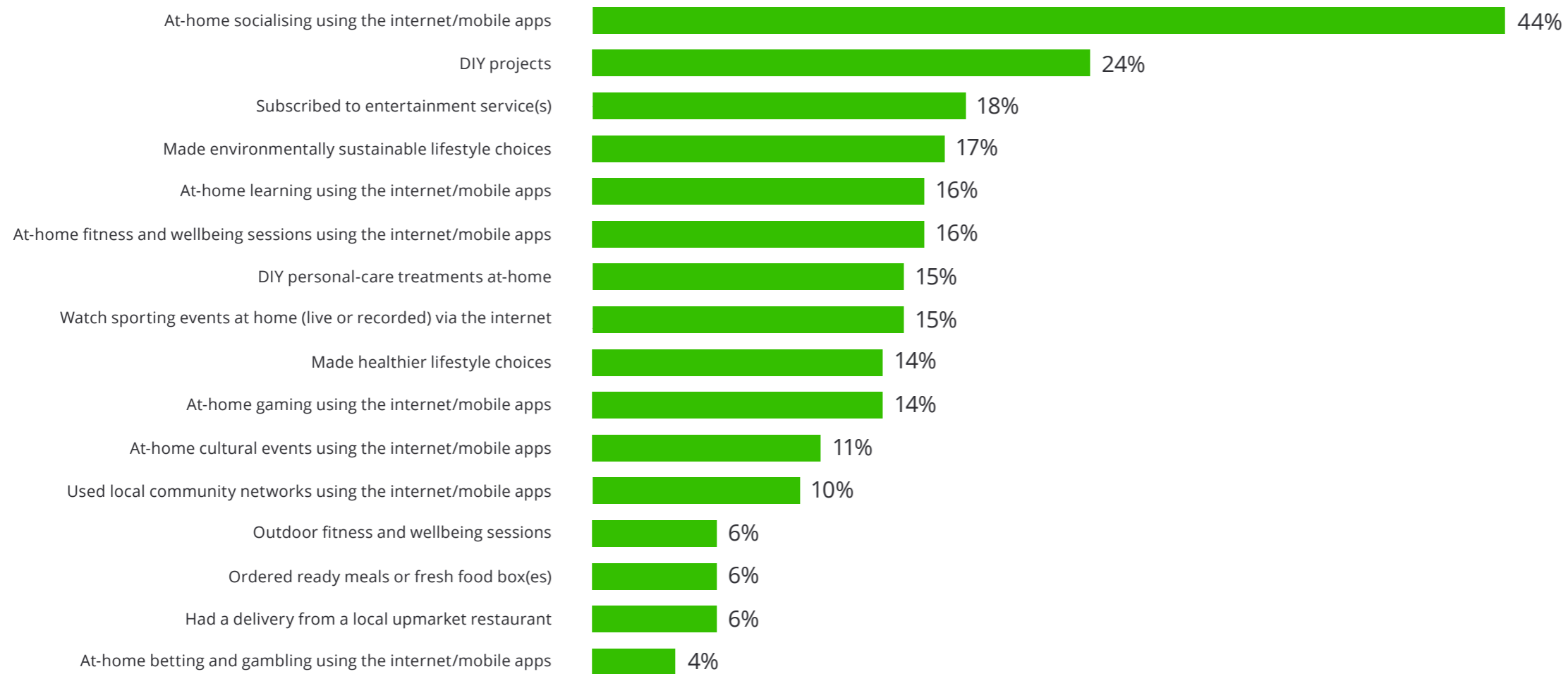
People have been rethinking the way they live and weighing up the attraction of their local area for their new way of living, i.e. more remote working, more home cooking, going to shops that are not supermarkets, tending a garden, online socialising and home entertainment.

Home has also grown in importance, which is why the second highest growth activity in the past 12 months has been DIY projects, with a 24 per cent net balance of consumers doing more DIY than before the pandemic. The pandemic was beneficial overall for the DIY sector as consumers having to stay at home spent money in home improvement stores that might previously have been used for holidays or eating out. The research agency Mintel reported that the number of people carrying out DIY and home improvement projects rose by 12 percentage points to 54 per cent in 2020⁶. Consumers also turned to looking after their appearance, with a 15 per cent net balance of consumers doing their own at-home beauty treatments in the 12 months to March 2021, such as hair colouring and cutting the hair of someone in their household.

As people needed to find new ways of entertaining themselves at home, there was an increase in the total number of media subscription services with an 18 per cent net balance of consumers having subscribed to more entertainment services such as Netflix or Spotify. Younger millennials were nearly twice as likely (with a 31 per cent net balance) to have paid for more entertainment subscriptions in the past 12 months. Consumers also engaged in remote learning (16 per cent), joining online fitness classes (16 per cent), watching sporting events online (15 per cent) and playing games online (14 per cent); and an 11 per cent net balance of consumers joined more online cultural events in the year since March 2020. With more time on their hands, people also reflected on their lifestyle before the pandemic. For a 17 per cent net balance of consumers it meant

making more environmentally sustainable lifestyle choices and for another 14 per cent net balance of consumers it meant making healthier choices. Indeed, according to another recent survey by Deloitte, sustainability is now a key consideration for consumers, with 32 per cent of consumers adopting a more sustainable lifestyle. Equally important, 28 per cent of consumers have stopped buying certain products due to ethical or environmental concerns over the same period. Our research also found that for those consumers who have made environmentally sustainable or ethical spending choices in the past 12 months, considering business attitudes to diversity and inclusion practices was particularly important to those consumers in the holidays and hotels, and the going out categories⁷.

Figure 5. Level of participation in leisure activities in the last 12 months compared to before COVID-19
 Net % of consumers participating more in leisure activities in the last 12 months compared to before COVID-19



Source: The Deloitte Consumer Tracker

Consumers intend to continue pursuing healthier and more environmentally sustainable lifestyle choices beyond COVID-19

When asked about their intended level of engagement with leisure activities in the year to March 2022 compared to the year before March 2020, a net balance of 19 per cent of consumers claim they will be making healthier lifestyle choices and a 14 per cent net balance aim to make more sustainable lifestyle choices (see **Figure 6**).

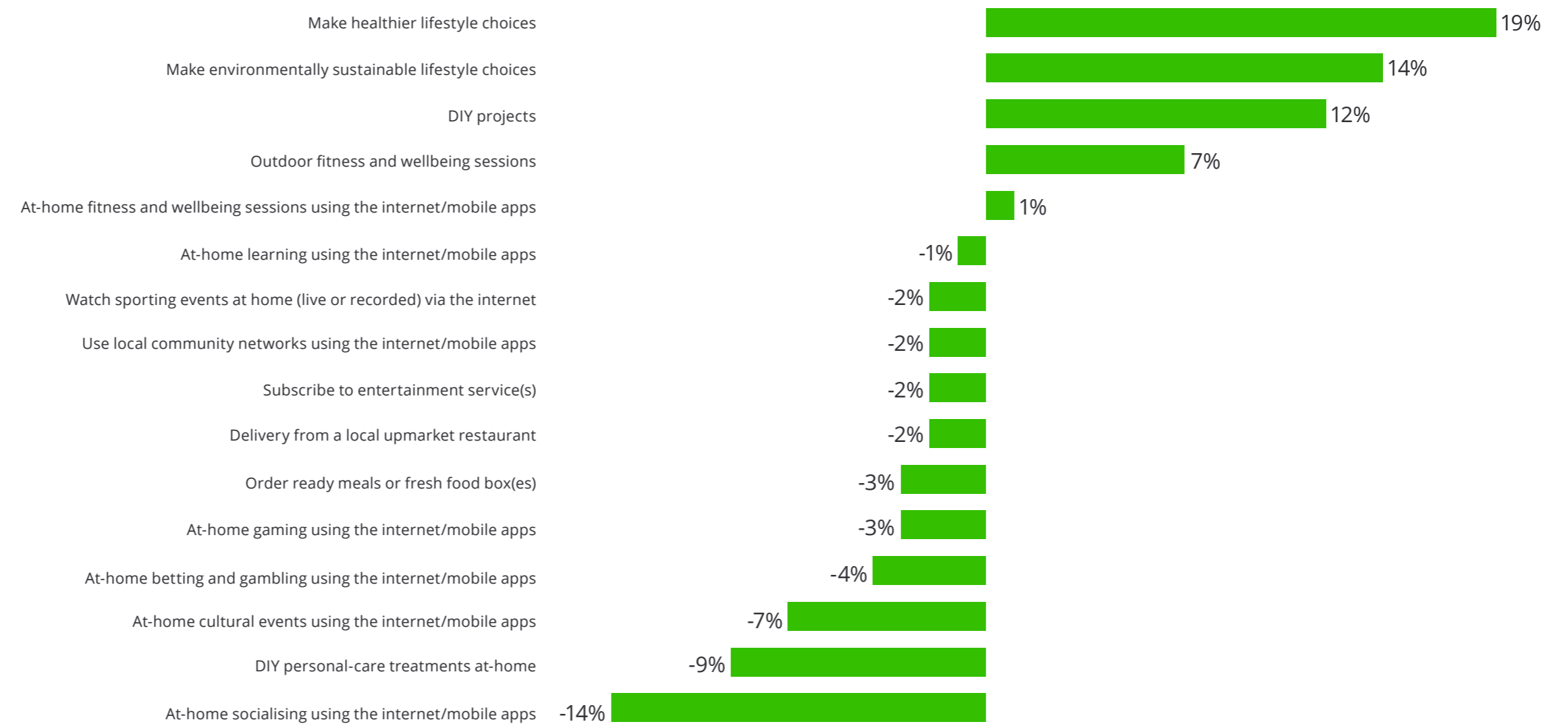
Throughout the pandemic, consumers were struck by two home truths: first that staying healthy is an important factor in fighting COVID-19 and second that the travel restrictions in place during the pandemic had a direct impact on improving air quality and reducing greenhouse gas emissions⁸.

With more consumers, especially among those in younger age groups, establishing or deepening their relationships with brands based on ethical or environmentally sustainable considerations, businesses in the leisure sector need to apply standard and transparent sustainability practices across their entire value chain.

In addition, in a sign that consumers might have developed a preference for outdoor exercise over the gym, they may also intend to take part in more outdoor fitness activities. Data from the survey shows a 7 per cent net balance of people intending to attend more outdoor fitness and wellbeing classes.

Figure 6. Participation intention in leisure activities in the next 12 months compared to before COVID-19

Net % of consumers participating more in leisure activities in the next 12 months compared to before COVID-19



Source: The Deloitte Consumer Tracker

Consumers also plan to do more home improvement projects. According to our data, a net balance of 12 per cent of consumers expect to do more DIY projects in the year to March 2022. Respondents indicated that the reasons they wanted to take on more home improvement projects were that they enjoyed them and also that they were better value (see **Figure 7**). According to Barclaycard, which tracks nearly half of all UK credit and debit card transactions, sports and outdoor equipment and furniture retailers registered growth rates above 25 per cent in April compared with the same period in 2019, while home improvement and DIY stores continued to report strong growth⁹.

Our survey also indicates that people are ready to return to face-to-face leisure activities. The net balances for many at-home activities were negative, meaning that on balance there are more people wanting to do fewer online leisure activities at home than those wanting to do more. These results point to a return to pre COVID-19 behaviours in the leisure sector. However, a minority of respondents indicated that they want to do more at-home leisure activities in the year to March 2022. This is an indication that while change was forced on people due to the lockdown restrictions, some have embraced the change as they see benefits such as more convenience or safety in doing activities from their home (see **Figure 7**).

Figure 7. Top drivers of intentions to participate in leisure activities in the next 12 months

Top three reasons:	1	2	3
Make more healthier lifestyle choices	It is healthy	It helps the environment	It is enjoyable
Make more environmentally sustainable lifestyle choices	It helps the environment	It is healthy	It is enjoyable
Do more DIY projects	It is enjoyable	It is good value	Other
Do more outdoor fitness and wellbeing sessions	It is healthy	It is enjoyable	It is safe
Do more at-home fitness and wellbeing sessions using the internet/ mobile apps	It is healthy	It is enjoyable	It is easy to access
Do more at-home learning using the internet/ mobile apps	It is easy to access	It is easily available	It is enjoyable
Intend to watch more sporting events at home (live or recorded) via the internet	It is enjoyable	It is convenient	It is easily available
Use local community networks using the internet/ mobile apps	It is convenient	It is easy to access	It is easily available
Subscribe to more entertainment service(s)	It is enjoyable	It is convenient	It is good value
Receive more deliveries from a local, upmarket restaurant	It is enjoyable	It is safe	It is easily available
Order more ready meals or fresh food box(es)	It is convenient	It is enjoyable	It saves time
Do more at-home gaming using the internet/ mobile apps	It is enjoyable	It is easily available	It is convenient
Do more at-home betting and gambling using the internet/ mobile apps	It is enjoyable	It is convenient	It is good value
Do more at-home cultural events using the internet/ mobile apps	It is enjoyable	It is convenient	It is safe
Do more DIY personal-care treatments at-home	It is good value	It is convenient	It is safe
Do more at-home socialising using the internet/ mobile apps	It is safe	It is convenient	It is easy to access

Beyond COVID-19: Four leisure consumer profiles

More than a year after the start of the COVID-19 restrictions, many consumers have changed their routines and adopted new habits. Some of the changes, such as the shift to online shopping and socialising was already underway before the pandemic. However, during what seems like a long period of lockdowns the pace of change has accelerated. Pent-up demand may drive some consumers back to in-person leisure activities and venues, but once the initial need has been satisfied, the same consumers may want to adopt a more hybrid model for their leisure activities. This might involve combining the convenience of digital and online for some activities with the more tangible 'in-person' experience for others.

According to research by Deloitte conducted in May 2021, when asked what proposition of shopping will be done 'in-store' versus 'online', 34% consumers are likely to get all their restaurant or takeaway food shopping in store and 18% claim they will get all their restaurant or takeaway food shopping online. However, for the rest it will be a mix of both online and in-store with (48%) UK consumers claiming they will buy restaurant or takeaway food using both online and in-store channels over the next four weeks²⁰.

The perception of safety is also likely to drive this hybrid model, our data shows that not all UK consumers feel safe to do leisure activities. A quarter of UK consumers do not feel safe going to a restaurant, 17 per cent do not feel it is safe to engage in person-to-person activities such as going to a hairdressers or nail salon and 46 per cent do not feel it is safe to attend in-person events²¹. As businesses reopen, it is important to reflect on the drivers of the different consumer behaviours observed during the pandemic as they will define how consumers act in the medium to long term.

To bring more clarity to the debate around which behaviours will stay beyond COVID-19 and how these will affect the leisure sector, we have developed a set of four profiles describing likely consumer behaviours, motivations and concerns.

To develop these profiles, we have made several assumptions about the environment in which consumers interact:

- change is a constant, and while some consumers will return to pre-COVID behaviours others will adapt and change
- the virus is here to stay
- the risk of new variants remains
- the uneven pace of vaccination rollouts globally is affecting markets and operators differently: disparity in the easing of restrictions across geographies is creating confusion and uncertainty about how international travel rules apply
- the vaccinations rollout and government support will continue as planned in the UK.

We also identified some key consumer trends:

- the change in consumer perceptions of safety
- the varying levels of consumer confidence in their personal finances
- new at-home consumption patterns such as increased interest in DIY activities
- the growing consumer awareness of the social impact of purchasing decisions
- the shift to digital.

Based on the above assumptions and trends, we mapped the impact of the pandemic on consumer priorities and behaviours and identified four possible consumer leisure profiles: The Reverter, the Transformer, the Whatever, and the Worrier. These profiles are not mutually exclusive, and businesses will need to consider all four when engaging with consumers.



Reverters

Those who mainly want to return to pre-pandemic behaviours but seek to create a balance between the familiar and the new.

Reverters look back at pre-pandemic times with nostalgia, and they miss the social and physical experiences of going to a cultural venue or restaurant. As a result, as soon as the restrictions are fully lifted, they expect to drop the behaviours they adopted since the onset of the pandemic and expect to take part in leisure activities as they used to before. For example, Reverters may have been the first to book a restaurant as soon as the lockdown restrictions were eased. However, after being unable to book the time slot they wanted or after facing long queues at the bar, they may reconsider their options and choose the convenience of online deliveries from their favourite restaurants. Reverters will want to return to going out the way they used to but also recognise some of the benefits of the at-home experiences and will want to enjoy a mix of both.

As consumers decide what activities they are prepared to return to, businesses will need to stay agile to meet the changing consumer preferences and will need to offer seamless experiences across all their digital and physical channels in order to satisfy demand. Companies will need to manage the supply chain challenges associated with changing demand. For example, beauty business Secret Spa began to offer midnight services after a surge in demand¹⁰.

Businesses will also have to be innovative and offer alternatives to cater for the growth in at-home demand. For example, restaurants have been deploying 'dark' kitchens where food is prepared for delivery services only as well as increasing outdoor capacity at their outlets to offer a safer dining environment. Targeting the urge for a return to normality, theatres and cinemas started pre-selling shows while others created outdoor venues such as the open-air theatre launched by the London based Arcola Theatre¹¹.



Transformers

Those who are keen to maintain the lifestyle changes they have adopted and want more flexible options.

Transformers want to continue with the lifestyle changes they adopted during the pandemic. Having changed their personal and work life experience in the past year, they have found more benefits than disadvantages to their new lifestyle. Transformers show greater focus on health and well-being and are likely to take part in activities such as fitness, yoga and sports. They have enjoyed the convenience of online platforms and the ability to build new virtual social networks. Environmentally sustainable and ethical practices will be increasingly important for them. Transformers want more choice and flexibility from businesses to maintain their new lifestyles.

Health and well-being will be a strategic differentiator for Transformers and businesses wanting to serve them will need to be seen as sellers of healthy and environmentally sustainable lifestyle options. For instance, Apple launched a fitness service Fitness+, offering studio-style workouts on its devices and sharing health and workout metrics for Apple Watch users¹². Leisure businesses may face increased competition from digital start-ups, alternative business models or more agile companies that are faster at adapting their offering or that enter the market as disruptors. Fitness-focused social platforms and subscription products such as Peloton and Mirror have seen significant growth in demand as consumers embraced the convenience of exercising at home¹³.

Offering fully digital services will be important to retaining new customers gained during the pandemic as well as maintaining existing customer engagement and loyalty. Building partnerships may help businesses take advantage of these emerging opportunities to serve a more digitally-minded consumer, such as restaurant delivery company Deliveroo partnering with grocery brand Morrisons to offer faster and more convenient last mile delivery of groceries¹⁴.



Whateverers

Those who managed to maintain the status quo despite the COVID-19 restrictions and want to keep it that way.

Whateverers have managed to maintain the status quo, not letting the pandemic affect them. They did not alter their lifestyle much beyond what the restrictions required. They see the pandemic as a temporary crisis that they must deal with, but not as something for which they should alter their habits drastically. They were less likely to have engaged in some of the at-home leisure activities in the past year and they do not intend to engage in such activities in the future either. They want to continue going about their lives with minimum disruption.

Customer experience is everything, and businesses will be expected to maintain the same levels of engagement and customer service as before the pandemic. For example, the Virgin Active gym has offered digital on-demand studio sessions via their app for members to ensure continuation of the fitness regime they used to follow while going to the gym pre COVID-19¹⁵. Businesses can rely on the brand loyalty and predictability of the Whateverers. London's Ronnie Scott's nightclub ran free live streamed sessions, with a page for donations to support musicians and the club¹⁶. Mintel research reported that 24 per cent of UK consumers would invest in a 'fan bond' which is loaning money to help leisure venues and clubs stay afloat and 23 per cent would buy a pre-paid 'culture pass' designed to help support arts venues, such as cinemas and theatres¹⁷.



Worriers

Those who have concerns about the future and seek reassurance, affordability and convenience.

For Worriers, the fear of the unknown forces them to hedge against the perceived health and financial risks. They built a safety bubble around them using digital services to interact with other people and businesses, out of fear of contracting the virus. They are savers and will be reluctant to spend on larger purchases. Worriers are more likely to experiment as a result. They want solutions that offer safety, support and protection, as well as affordability and convenience.

Assurances on safety measures and offering convenience and good value will be a key factor in driving these consumers back to leisure activities and venues. Reassurances from businesses that healthy, hygienic and safe products and services are in place will be crucial for meeting the high expectations and demands of Worriers. Offering contactless payments at restaurants, COVID-19 health insurance such as policies offered by Accor and AXA, or complimentary on-site COVID-19 testing offered by the Marriott, Hilton and Hyatt groups are all good examples of what will attract the Worriers as leisure consumers¹⁸. Up-market restaurants such as Rick Stein and Club Gascon have offered at-home services enabling customers to re-create a fine dining experience in the safety of their homes¹⁹. Businesses can appeal to this consumer group by offering value-based pricing models, flexible booking, cancellation and payment options, and advanced digital experiences.



Conclusion

Our four profiles should help companies evaluate current processes, identify gaps and areas of focus to inform business continuity plans. Businesses need to invest in new customer experiences, using both digital and physical channels to connect with consumers in different ways and be prepared to respond to their evolving needs as they emerge from a very disrupted period.

Changing consumer behaviours and attitudes are challenging businesses to not only rapidly adapt their products and services but also to transform the platforms and channels via which they sell. Businesses need to balance consumer needs for safety and security with the need to offer more options in a volatile market. The landscape and structure of the leisure sector is also likely to feel the effects of the pandemic over the long term.

Changing consumer priorities also offer an opportunity for businesses to rethink, reset and rebuild new propositions and capabilities. This might mean creating new business offerings, trying to attract different consumer segments,

or investing in a digital transformation programme. This could be a perfect time for change. Businesses have the chance to experiment and evaluate operational or strategic alternatives. There is an opportunity to revisit the cost and the value of maintaining arrangements with partners and suppliers, while providing the same quality of customer experience.

Businesses will also benefit from the many productivity-enhancing efficiencies made during the pandemic, including more streamlined operations. The pandemic has forced the industry to accelerate the adoption of technology that has improved productivity: payment and ordering apps allow operators to offer their services faster and employ fewer staff. Consumers now have experience of these business solutions deployed in response to the pandemic. New digital services are no longer hypothetical possibilities or the domain of early adopters. And although consumers will want to enjoy many of their pre-COVID experiences and leisure activities as they used to, they will also want to benefit from the convenience of a more seamless digital experience. Overall, how

the leisure sector responds to consumers will have far-reaching implications for its success in the years ahead.

Endnotes

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