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UK Hospitality Costs Outpace Inflation

Dojo says small businesses face an 11.75% inflation gap, with catering and pubs hit hardest over the past decade

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New research from payments provider Dojo shows that the day-to-day cost of running small and medium-sized businesses in the United Kingdom has risen faster than consumer inflation over the past decade, with hospitality facing the sharpest pressure. The study found an “inflation gap” of 11.75% between business costs and consumer prices from 2015 to 2025, a spread that has widened as energy, labor, supplies and other operating expenses climbed at different rates across sectors.

The findings point to a particular strain on hospitality, where margins are already thin and costs are spread across several parts of the business. Dojo said hospitality had experienced the steepest rise in operating costs of any UK sector over the period it examined. Within the industry, catering businesses were hit hardest. Their operating costs rose by 62% on average over the decade, while transport costs tied to each job increased by 57%. Materials and supplies for caterers climbed by 113%, the largest increase recorded in any category studied.

Hotels also saw notable increases, especially in payment processing costs, which rose by 83%. In pubs and bars, technology and software costs jumped by 167%, reflecting a greater reliance on digital systems and automation in day-to-day operations. Across catering, hotels and pubs and bars, Dojo said every cost category it measured increased, including rent and business rates, energy, labor, insurance and training.

The research comes at a time when many operators are still dealing with higher borrowing costs, wage pressure and uneven consumer spending. For restaurants, bars, hotels and caterers, those pressures can affect pricing decisions, staffing levels and purchasing choices. In practice, that can shape what appears on menus, how often prices are adjusted and how much room businesses have to absorb shocks without cutting service or reducing investment.

Charlie Ashworth, head of research and insights at Dojo, said businesses that understand where their exposure sits are better placed to respond. He said control and efficiency were key to managing costs, pointing to supplier contracts, operational efficiency, overhead reduction and payment systems as areas where operators could protect margins. He also said businesses should examine supply chains closely, including how much they pay per item and whether more competitive suppliers are available without lowering quality.

The report suggests that hospitality’s cost base has become more complex over time as businesses have added technology, digital payments and more elaborate logistics to their operations. That complexity can make it harder for owners to offset inflation through simple price increases alone. In sectors such as catering, where transport and supplies have risen sharply alongside labor and energy costs, even small changes in

demand can have an outsized effect on profitability.

For the wider drinks trade, the pressure matters because hospitality is a major route to market for wine, beer and spirits. When operators face higher overheads, they often respond by tightening purchasing budgets, changing product mix or pushing through menu price increases that can affect customer demand. That dynamic can be felt most quickly in on-trade venues such as pubs, bars and restaurants, where spending patterns are sensitive to price changes and footfall.

Dojo said the past decade showed that the cost of running a business had changed materially and that firms able to adapt their operating models would be better positioned in the years ahead. The company’s research was based on ten core cost categories across UK small and medium-sized businesses between 2015 and 2025.