An industry’s profitability is influenced by various factors, including pricing pressures, input price fluctuations, demand conditions, start-up costs, and initiatives introduced by operators within an industry to enhance efficiencies. IBISWorld has looked at the five most unprofitable industries of 2019-20, analysing the key reasons why they are unprofitable and discussing what trends are expected for these industries over the coming years.

Urban Passenger Rail Operations
The Urban Passenger Rail Operations industry’s operating loss is estimated to be equivalent to 20.3% of industry revenue in 2019-20, allowing it to take the top spot as the most unprofitable industry. The industry is loss-making primarily because the largest players are owned by the government and generally provide services to the public at a loss. For instance, the industry’s largest operator, Transport for London (TFL), with a market share of approximately 88.7%, reported a loss of over £1.9 billion in 2018-19, which translated to approximately 33.8% of the company’s revenue. The industry’s operating loss stood at 18% of revenue in 2014-15, indicating that its profit performance is expected to deteriorate over the five-year period through 2019-20. Fare freezes are anticipated to be responsible for the widening of the operating loss. However, rising passenger numbers and efforts by TFL to slash expenditure are likely to prevent the industry’s loss from expanding further. IBISWorld expects the industry to continue reporting losses over the next five years, though losses are expected to narrow somewhat, as TFL is set to introduce further cost-cutting measures over the coming years.

Financial Technology
The Financial Technology industry is expected to report an operating loss equal to 5.4% of industry revenue in 2019-20, making it the second-highest loss-making industry. The industry is in the
growth stage of its life cycle and has recorded significant revenue expansion over the past five years. However, high start-up costs and large sums invested in research and development activity have been the primary driver of the industry’s adverse profit performance. Although the industry is expected to operate at a loss in the current year, IBISWorld analysis reveals that losses have narrowed over the past five years, as the industry’s fixed costs have been absorbed by a growing revenue base. In fact, some firms in the industry have already turned profitable after reporting steep losses in prior years. TransferWise Ltd, a London-based money transfer service which holds a market share of approximately 2.7%, is one such example. The company reported operating losses in every year since being incorporated in March 2010 before becoming profitable for the first time in 2017-18. IBISWorld expects the industry’s operating loss to worsen over the next five years, as production levels are forecast to follow a downward path, fuelled by the government’s commitment to the closure of all coal-fired power stations in the United Kingdom by 2025.

Hard Coal Mining

The Hard Coal Mining industry is anticipated to record an operating loss equivalent to 2.5% of industry revenue in 2019-20. The industry has been in decline for decades, primarily because the reliance on coal for electricity generation has fallen dramatically. In fact, coal was responsible for over two-thirds of electricity generation in the United Kingdom in the 1970s, but this share has plunged over the years and it is now estimated to account for less than 5% of electricity generation. Various government efforts to phase out the use of coal for electricity generation due to its high emissions have been largely responsible for this decline. In addition, demand for coal mined by industry operators has also declined due to the availability of cheaper coal mined overseas. The fall in demand for coal mined in the United Kingdom has caused production levels and revenue to tumble over the past five years. These factors are mainly responsible for the industry’s profit margin turning from positive in 2014-15 to negative in the current year. IBISWorld expects the industry’s operating loss to worsen over the next five years, as production levels are forecast to follow a downward path, fuelled by the government’s commitment to the closure of all coal-fired power stations in the United Kingdom by 2025.
Top Five Unprofitable Industries in 2019-20

Personal Trainers
The Personal Trainers industry is estimated to report an operating profit that is equivalent to just 0.5% of industry revenue during the current year. The industry's profitability is heavily depressed because it is dominated by personal trainers, who function as owner-operators and take the majority of the revenue left over after expenses as their wages. As a result, wages are expected to absorb over 70% of industry revenue in the 2019-20. However, the average amount withdrawn from profit as wages fell during the past five years. Escalating levels of competition between personal trainers and waning demand for industry services, partly due to the rising popular of budget gyms that provide similar services, meant that personal trainers had less revenue less left over after deducting other expenses. IBISWorld expects the industry’s profit margin to remained low over the next five years, with wages continuing to absorb the largest chunk of industry revenue.

Fuel Wholesaling
The Fuel Wholesaling industry operates on extremely tight operating profit margins, and is estimated to report an operating profit equivalent to 0.5% of industry revenue in the current year. The high level of competition between industry operators, transparent pricing of petroleum products at the refinery gate, and the availability of imported products are primarily responsible for keeping the profit margin depressed. The industry’s profit margin is expected to remain fairly stable during the five-year period through 2019-20. Comprehensive hedging techniques employed by operators to dampen the effects of volatile input prices and currency fluctuations have ensured that margins remained stable. IBISWorld expects the industry’s profit margin to remain low in the coming years as competition, especially in terms of price, intensifies further. In addition, agreements made by the Organisation of the Petroleum Exporting Countries (OPEC) to restrict supply could also increase input prices and hamper industry profitability.
At IBISWorld, we know that industry intelligence is more than assembling facts. It is combining data with analysis to answer the questions that successful businesses ask.

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