

# Versatile Hospitality Industry Across the Globe A Case Study on Development and Challenges in Hospitality Industry in New Zealand

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**Abstract:** *The hospitality industry is generally recognized as a section of the wider service industry, with a focus on leisure, rather than more basic needs. It is a broad category of fields within the service industry that includes lodging, food and drink service, event planning, theme parks, travel and tourism. It includes hotels, tourism agencies, restaurants and bars. The goal of the hospitality industry is to provide customers with an enjoyable experience. Whether that enjoyment comes from eating a good meal, relaxing in a luxurious spa, or getting a good night's rest away from home, making sure each individual guest is taken care of is paramount. Good service is the key to success in any hospitality business. So, what is 'Versatility' and what does it have to do with the Hospitality Industry? According to the Cambridge Dictionary, Versatility is 'the ability to adapt or be adapted to many different functions or activities.' The hospitality industry needs to be flexible, determined, and ready for any challenge thrown at it. The world is comprised of different cultures, different backgrounds, different expectations and different attitudes.*

**Keywords:** Hotel, Food, Service, Guest, Beverage

## I. INTRODUCTION

New Zealand is a country of stunning and diverse natural beauty, these islands are one of Earth's most peculiar bioregions, located in the South-Eastern Hemisphere, consisting of two main islands - imaginatively named North Island and South Island - and many smaller ones in the South Pacific Ocean, this archipelago lies 1,600km (1,000 mi) south-east of Australia. New Zealand is the sixth largest wholly island nation on earth and with a population of nearly 4.5 million in a country larger than the United Kingdom.

New Zealand has been called "God's own country" and the "Paradise of the Pacific" since the early 1800s due to its stunning and diverse natural beauty: jagged mountains, rolling pasture land, steep fiords, pristine trout-filled lakes, raging rivers, scenic beaches, and active volcanic zones. A developed country, New Zealand ranks highly in international comparisons of national performance, such as quality of life, education, protection of civil liberties, government transparency, and economic freedom. With this great quality of life comes the need to be treated in hospitable manner and a pleasant environment and the Kiwis have got this well under their wraps. New Zealand is seen as safe, which encourages families to visit the country. New Zealand is seeing the biggest growth in cities, although they have also seen increases in small picturesque towns like Auckland as well. A recent change is that people who would normally travel to Australia are traveling to New Zealand instead [8].

Hospitality is the relationship between a guest and a host, wherein the host receives the guest with some amount of goodwill, including the reception and entertainment of guests, visitors, or strangers. As we've already elucidated that the hospitality industry is recognized as a section of the wider service industry, with a focus on leisure, rather than more basic needs with the goal of providing customers with an enjoyable experience. It is an overarching business that encompasses hotels, restaurants, flights, trains, and entertainment. Anything that would be considered pleasure and leisure can be counted as hospitality. Due to the number of businesses in this industry, it is an immense revenue maker for many countries [1].

The hospitality industry in New Zealand is a major industry operating around the country. It is one of the largest employment sectors in the country, contributing about 1.7% of GDP, equivalent to NZ\$5 billion annually. Businesses in

the sector can be divided into four broad categories: Quick Service Restaurants; Takeaways; Pubs, Taverns and Bars; and Cafes and Restaurants. More than half of the sector's workforce work in cafes and restaurants, and more than half of sales occur in the Auckland, Canterbury and Wellington regions. The sector has a long-term shortage of workers, particularly skilled chefs and managers. Workers do not require formal qualifications, but require customer service skills and may require certificates to manage premises and sell alcohol [9] .

New Zealand's hospitality industry is currently on the rise, and already employs approximately 200,000 people, with the restaurant and bar business being the largest employer over all, employing over 50% of the people working in the industry. The largest contributors to the New Zealand hospitality industry are domestic travels, quickly followed by international travel, especially from China.

Like many other industries, the hospitality industry faces new challenges and opportunities today. With the technological advancements of the modern world, newly arising uncontested demand, and changing standards of operation, companies providing various services to visitors in New Zealand recognize either new issues or factors present in the industry before but currently growing to become more important issues. This case study highlights the 'Developments and Challenges in Hospitality Industry in the country of New Zealand.

## II. LITERATURE REVIEW

(Development and Challenges in Hospitality Industry in New Zealand): This part of the case study, namely, the literature review will help the reader understand the information pertaining to the topic by providing concepts needed to understand the paper and persuade the reader that the research question or Point of view is credible.

As we've already established, the hospitality industry in New Zealand is a major industry operating around the country. It is one of the largest employment sectors in the country contributing about 1.7% of GDP, equivalent to NZ\$5 billion annually. Businesses in the sector can be divided into four broad categories: Quick Service Restaurants; Takeaways; Pubs, Taverns and Bars; and Cafes and Restaurants. In 2020, there were around 23,320 business or service entities in the hospitality industry in New Zealand. The number of businesses in the hospitality industry has been increased from just over 18,000 businesses in 2011.

Most cities in New Zealand experienced an increase in hotel occupancy from 2020 to 2021. Notably, hotels in Wellington had an occupancy rate of 61 percent, increasing from 42 percent in 2020, and in Christchurch occupancy rose from 45 percent to 61 percent. The hotel industry was, like many others, affected by the coronavirus pandemic

The rate of growth in hospitality over recent years has been impressive and until the Covid-19 outbreak the industry was booming. To rebuild itself the industry needs to focus on recovery and sustainability and put in place operational structures for a profitable and sustainable hospitality business model.

The Hospitality industry's strong growth story has been decimated by COVID-19 leading us to develop a future framework to best support the recovery of our sector and ensure government policy matches the realities of everyday hospitality operations. The industry has faced some significant Government policy changes in the last 12-18 months. This has affected business confidence in our sector, with Government legislation and compliance continuing to be cited as a key challenge facing the sector.

Until the pandemic hit, the hospitality industry contributed \$12 billion to the economy, making it one of New Zealand's largest industries. Despite being an enduring powerhouse of the New Zealand economy, policy made for the sector, in particular for hospitality, is fragmented, impractical and often devoid of the everyday realities of operations. In order to rebuild the industry, the industry needed a joined-up strategy to ensure a well-rounded, productive sector that is a vital contributor to social well-being, nationwide tourism and the growth of the wider New Zealand economy.

In 2021 New Zealand's hospitality sector achieved sales of over \$11 billion (year end March 2021). This represents a sales decline of 9.3 per cent over the previous year. Sales decline carried across the industry, excluding the takeaway sector, which recorded a small increase of 1.7 per cent.

- Over half of every dollar spent dining out is spent at a restaurant or café, which has almost 51 per cent market share. Annual sales for this usually dominant sector declined 9.5 per cent in 2021, which in dollar terms translates to a decrease of \$589.6 million over the year previous.
- Catering experienced the biggest losses as the beleaguered events industry ground to a halt. This sector declined by 33 per cent recording annual sales of \$632.8 million compared to \$956.8 million in 2020.

- Pubs, taverns and bars also realized annual sales decline of 12 per cent (a decrease of \$202.9 million).
- Takeaway / food to go sales growth has led the industry over the past 3 years but with the shift in alert levels that extended in 2021, this sector was the only one to achieve growth in this year of 1.7 per cent representing 27 per cent of total sales [10].

#### Hotels and Resorts in New Zealand industry statistics

- Market Size: \$947m
- Number of Businesses: 555
- Industry Employment: 9,045

#### Hotels and Resorts in New Zealand trends (2017-2022)

The Hotels and Resorts industry's performance is strongly linked to tourism activity in New Zealand. Industry operators generate revenue through domestic, inbound and business travellers. Movements in the number of tourists have influenced demand for hotels and resorts

over the past five years. In particular, restrictions on outbound and inbound tourism, in response to the COVID-19 outbreak, have significantly affected industry performance. Revenue is expected to fall at an annualised 4.3% over the five years through 2022-23, to \$1.4 billion. This includes an expected increase of 50.9% in the current year, as New Zealand's borders gradually reopen and rising tourist activity increases demand for industry services

The following Bar Graph presents the hotel sales and transactions in New Zealand from 2010 to 2021.

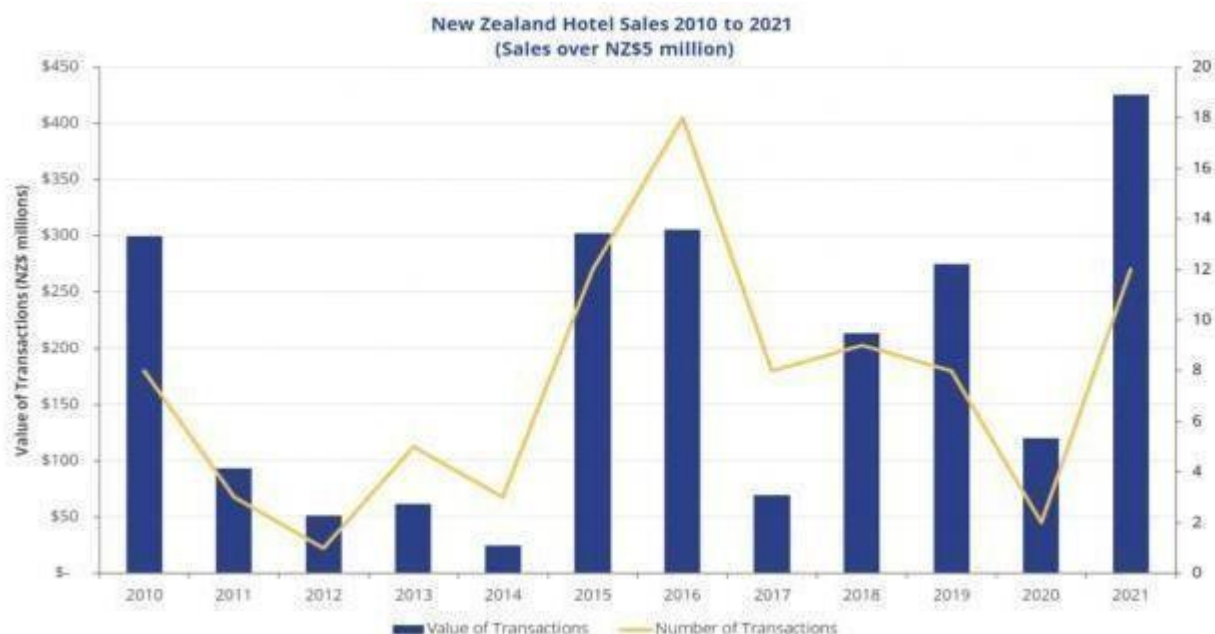


Diagram 1. The Hotel sales and transactions in New Zealand from 2010 to 2021.

SOURCES: <https://www.thehotelconversation.com.au>

While 2021 presented headwinds, hotel occupancy improved in three of the five main regions across New Zealand

- The average daily rate also continued to show resilience, with all regions (except for Queenstown) witnessing an increase on 2020 levels, led by Rotorua and Christchurch. This growth was underpinned by strong domestic demand and a large cohort of hotels contracted to the MIQ system.
- More than \$400 million of hotel deals were settled, representing a staggering 33 per cent increase on the previous highs of 2010 and 2015 that saw \$300 million of sales recorded each year, and nearly three times the 10-year average of \$150 million per annum.
- The sales included high-profile assets such as the five-star Sofitel Queenstown, 280 room Rydges Wellington, and the recently completed luxury lifestyle hotel QT Auckland.

Most cities in New Zealand experienced an increase in hotel occupancy from 2020 to 2021. Notably, hotels in Wellington had an occupancy rate of 61 percent, increasing from 42 percent in 2020, and in Christchurch occupancy rose from 45 percent to 61 percent. The hotel industry was, like many others, affected by the coronavirus pandemic

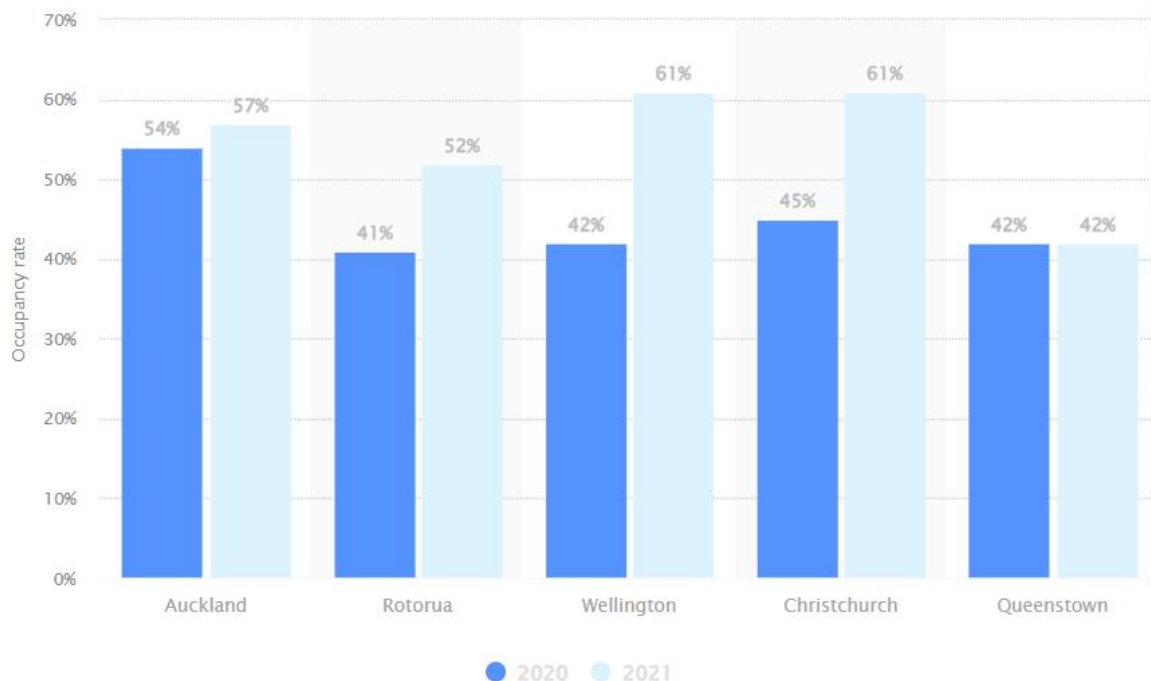


Diagram 1. Share of hotel occupancy of select cities in New Zealand in 2020 and 2021.

SOURCES: <https://www.statista.com>,

The following section will deepen an understanding of the Developments made and the challenges faced by the hospitality industry of New Zealand

### III. CASE ANALYSIS

Until the pandemic hit, the hospitality industry contributed \$12 billion to the economy, making it one of New Zealand's largest industries. Despite being an enduring powerhouse of the New Zealand economy, policy made for the sector, in particular for hospitality, is fragmented, impractical and often devoid of the everyday realities of operations. To name a few:

- Significant Government policy changes in the last 12-18 months
- Pandemic operations
- Employment
- Immigration,
- Education

This has affected business confidence in the Hospitality sector, with Government legislation and compliance continuing to be cited as a key challenge facing the sector.

In order to rebuild the industry, the industry needed a joined-up strategy to ensure a well- rounded, productive sector that is a vital contributor to social well-being, nationwide tourism and the growth of the wider New Zealand economy. According to the Restaurant Association, while many businesses are starting to recover revenue-wise, those in tourist hotspots are still struggling.

"The biggest single issue facing the industry now is staffing," says Marisa Bidois, CEO of the Restaurant Association. "With borders closed, we've lost access to our temporary migrant workforce. Under normal circumstances,

approximately 30% of our industry is made up of those on temporary work visas and in some cases, that figure is closer to 60%.”

Currently, the industry has around 15% of the workforce of temporary visas. This means existing staff are working very long hours and businesses are being forced to close their doors. Add in low margins, the rising cost of materials, compounding debts and City Centre workers continuing to work from home and it’s a sobering picture.

Adding to these problems, another challenge faced by the industry is that New Zealand's hotel industry is struggling to add more rooms inventory in key tourism regions, although the country recorded 3.7 million international visitors last year.

The hospitality industry is struggling to cater for a public piling back into the public living rooms. So much so that some restaurants and cafes around town are shutting more days, closing sections, running shorter shifts and operating understaffed.

But it is the mental health of staff and owners that is of most concern.

“The issue of mental health has manifested itself in the last few years like nothing I’ve ever seen in the 40 years I’ve been in this industry. It’s been quite alarming amongst our members. It’s one of the main issues”. It’s not just [their staff] but their own mental health.

In fact, a Restaurant Association survey from May showed 59% of the 566 members who responded reported their mental health and wellbeing was suffering as a result of the impact of Covid-19 on their business.

“It’s the young people that really suffer from it the most”, says Egan, National president of the Restaurant Association of New Zealand.

“It’s the most difficult period trading and managing staff I’ve ever known in hospitality, and I’ve been in the industry for more than 40 years.”

On top of everything else the industry is struggling with rising costs.

### **The industry needs a major overhaul.**

Realizing that a quick fix won't do this time, the Restaurant Association delivered a petition to Government asking them to adopt the Dine Out to Help Out scheme in New Zealand (based on the UK's Eat Out to Help Out scheme) to encourage diners back to businesses again and to stimulate the economy. The initiative would also help alleviate some of the financial uncertainty and desire to save that is currently weighing on many Kiwis minds when deciding whether to eat out or not.

New Zealand is still struggling to build the new hotels it needs in both the private and public sector. Fortunately, a number of new hotels are now under construction, and the pipeline of mooted projects is growing, particularly in Auckland. The market is facing significant pressure to open these hotels in time for the opening of the New Zealand International Convention Center in 2019 along with the America's Cup and APEC in 2020 and 2021. The NZICC is expected to attract about 33,000 delegates a year while the America's Cup is expected to attract between 150,000 to 175,000 international visitors. APEC is predicted to attract 22,000 attendees, including 10,000 for the summit week [7] . Tourist numbers are expected to continue breaking records after these events. The Ministry of Business, Innovation and Employment estimates New Zealand will welcome 5 million international visitors by 2024.

A recent New Zealand Trade and Enterprise study found Auckland will need up to 4,000 new guestrooms by 2025 to meet the demand.

We really need new supply but delivery is very slow, with the majority of new hotel stock not expected until post-2021[1] .

Concrete steps needed to be taken are being discussed in the Hospitality Summit is where New Zealand's \$11billion industry will gather as a community to share, discover and explore the trends shaping the future of the industry. “The theme of this year's Summit is Building Forward. We all know it has been a challenging time for the industry and Hospitality NZ's goal for the Summit is to provide the Kiwi sector with information, innovations, data, and solutions to face these challenges. Building forward for a stronger more sustainable industry for all businesses regardless of region or market segment.”



New Zealand's hospitality industry is currently on the rise, and already employs approximately 200,000 people, with the restaurant and bar business being the largest employer over all, employing over 50% of the people working in the industry [3].

The Hospitality industry in New Zealand, at the moment, is struggling to make the cut due to various challenges faced by the institutions in the sector. It is a rapidly growing industry. But as we all know, the ball doesn't fall much from the court, the hospitality industry of New Zealand, as resilient as they are, will never back down cause providing guests with Hospitality and a home like feel is the pride of this Industry. With proper sanctions and decisions by the higher authorities, It will be back on track Blooming in no time [2].

#### **IV. SUMMARY**

The hospitality industry in New Zealand is a blooming industry with business being the largest employer over all, employing over 200,000 people in the country. This industry has shown immense growth, but currently is facing several challenges like the backlash and the after effects of the covid-19 lockdowns, namely the post-covid 19 era, the problem of insufficient staffing, the mental strain on the individuals working in the industry, the physical strain and mental health issues, the struggle in opening new properties and a few more obstacles. But the industry has also shown massive developments like the Dine Out to Help Out scheme in New Zealand, opening of several new properties in the near future, etc. there's a need of a major Overhaul to gain back the stability of the industry [5].

#### **V. CONCLUSION**

In conclusion, it can be said that Until the pandemic hit, the hospitality industry contributed a hefty sum of money to the economy, making it one of New Zealand's largest industries. Despite being an enduring powerhouse of the New Zealand economy, policy made for the sector, in particular for hospitality, is fragmented, impractical and often devoid of the everyday realities of operations. The Hospitality industry in New Zealand, at the moment, is struggling to make the cut due to various challenges faced by the institutions in the sector. It is a rapidly growing industry. But as we all know, the ball doesn't fall much from the court, the hospitality industry of New Zealand, as resilient as they are, will never back down cause providing guests with Hospitality and a home like feel is the pride of this Industry. With proper sanctions and decisions by the higher authorities, It will be back on track Blooming in no time. Most cities in New Zealand experienced an increase in hotel occupancy from 2020 to 2021. More than \$400 million of hotel deals were settled, representing a staggering 33 per cent increase on the previous highs of 2010 and 2015 that saw \$300 million of sales recorded each year, and nearly three times the 10-year average of \$150 million per annum. Realizing that a quick fix won't do this time. Concrete steps needed to be taken are being discussed in the Hospitality Summit is where New Zealand's \$11 billion industry will gather as a community to share, discover and explore the trends shaping the future of the industry. The future of the Hospitality Industry looks bright just like the land of the rising sun it is [6].

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